

A STUDY OF THEORETICAL RELEVANCE OF MARKET SEGMENTATION WITH REFERENCE TO SULTANATE OF OMAN

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Abstract:

Market Segmentation plays a vital role in economic development of any nation. Marketers must adopt best basis of market segmentation to achieve growth and profitability. The objective of this research work is to critically evaluate the research article from a theoretical perspective and consider the practical implications using examples based on the Omani market. Further in order to provide more focus and direction, two key areas have been identified to discuss using examples from the Omani market. I have also used two other related journal articles to support my research work.

The two key areas of my research work are as under:

- 1) 'The selection of the basis of market segmentation is completely dependent upon the industry and product type itself.'*
- 2) 'Demographic may prove as good basis for segmentation but everything is dependent upon the psyche of the consumers.'*

These statements will be tested with respect to Omani Market. The following key issues have to be addressed:

- 1. What basis of market segment should be selected?*
- 2. Why segmentation is dependent upon Industry or Product type?*
- 3. Why demographic segmentation is good for Omani market?*

Literature Review

For this purpose two research work are selected having background of market segmentation. These are as follows:

Study done by Theodoros Metaxas (2005) in "Market Research and target market segmentation in place marketing procedure: A structural analysis" found that market research and target segment procedures can be helpful in planning internal and external environment of any location. He also supported that market Research and market segmentation can only take place after SWOT analysis is done. The demographic base of segmentation is very important characteristic for serving any location.

Study done by Greg Allenby et al (2002) in "Market Segmentation Research: Beyond Within and Across Group Differences" suggested that numerous variables exist in market segmentation research, including the personal relevance of motivating conditions and the frequency with which qualitatively distinct conditions occur, the attribute-levels, brand beliefs, consideration sets and actual brand use. Methods are needed for studying marketplace variables for strategically interesting groups based on the motivating conditions. Such analysis is at the core of market segmentation research, as managements attempt to understand how prospects with a particular kind of behavioral demand view existing offerings.

Research Methodology:

Research Objectives

- To find the factors that help to determine the dependency of market segmentation upon Industry or Product type.
- To determine the relationship between demographic and psychographic segmentation and also to check the degree of association between them.
- To find out why demographic factors provide a good basis of segmentation in Omani market.

Research Design

The research design used here in the research is descriptive in order to generate comprehensive research results.

Data Collection:

Research is based on secondary data collection. Sources of data collections are internet, books and journals

Research Tools:

Analysis of Secondary data is used for research purpose.

Market Segmentation

Market segmentation is a process of grouping customers in markets with some heterogeneity into smaller, more similar or homogeneous segments with similar requirements and buying characteristics. By carrying out market segmentation, companies are able to develop products and services that are

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appropriate for particular target segments and to be supported by an appropriate marketing mix.

Market segmentation is the first of three important steps in developing marketing strategy:

Positioning: How the product (or product portfolio) should compete with others in the market.

Targeting: Determines which segments to serve.

Segmentation: Groups customers with similar needs and responses.

Demographic Segmentation: Segmentation of customers based on demographic factors are:

1. Religion:- Segmentation Is done on the bases of the religion
2. Gender: - Segmentation is done on the bases of the gender.
3. Income: - Segmentation is done based on the income level of the consumer.

4. Age:-Segmentation is done on the basis of age of Person

Psychographic Segmentation groups customers according to their life- style and buying psychology. Its factors are:

- 1) Values
- 2) Attitudes.
- 3) Opinions.
- 4) Interests.
- 5) Activities.

Advantages of market segmentation are:

- 1) Makes the marketing effort more efficient and economic.
- 2) Helps divide the markets and conquer them.
- 3) Facilitates effective tapping of the market.
- 4) Facilitates proper choice of target market.
- 5) Helps distinguish one customer group from another within a given market.

It was observed that in the literature review of Article, there is dominance of demographic and psychographic factors for segmentation but critically there is also great influence of extraneous variables as price, trends, and market conditions on the purchase of the consumers.

Furthermore, the strength of link between traditional basis and market segmentation depend critically many more extraneous variables provided by market and consumer's conditions; hence, research in this line would add some value to the literature in the area of segmentation. It is also observed that segmentation is completely dependent upon all four traditional bases not on single one. This facilitate that there is need of further research in market segmentation area in different specified areas to find the dominating basis of market segmentation.

Companies must work harder to ensure that their marketing has the greatest impact possible. Increasing competition makes it difficult for a mass marketing strategy to succeed. Customers are becoming more diversified and firms are constantly differentiating their products relative to competitors. When the focus is on segmented markets, the company's marketing can better match the needs of that group. Market segmentation allows firms to focus their resources more effectively, and with a greater chance of success. Marketing, product and brand managers are continuously being asked to increase their return on investment. They are constantly searching for new information about their markets,

and new ways to approach them. This is where market segmentation comes in.

Market segmentation focuses on that subset of prospects that have the greatest potential of becoming customers and generating revenue. Companies who segment their markets match their strengths and offerings to the groups of customers most likely to respond to them.

- a) Differentiate your products and services to meet your customer needs and desires.
- b) Design or redesign new products and services to meet your market needs.
- c) Find hidden needs and make improvements to your existing products.
- d) Increase brand loyalty and decrease brand switching.
- e) Learning more about your competitors makes you more effective.
- f) Refine your pricing to maximize revenue.
- g) Find markets where you can increase your price.
- h) Optimize your marketing resources and get the most impact for your investment.

Amandeep Singh (2010) in his study highlights the need of using a new theoretical foundation of market segmentation which will help the FMCG companies to segment the market in competition oriented marketing to gain fruitful results. This research paper proposes 5 golden rule of market segmentation which is as:

1. There are "No Rules": Getting it right isn't simple at all. But never copy.
2. "Reducing" a market? Sometimes it's about expanding it.
3. The "Value" of the segment: The best segments must have Potential, Lifespan, Accessibility, and Profitability.
4. It must be "Different": Each company requires a different Market Segmentation. Being original and efficient with segmentation is the key to the amount of success achieved. We create new and personalized ways of segmenting, creating Hybrid models that are easy to interpret and explain (causes, value, behavioural, psychographic, demographic, and attitudinal) in order to obtain the most useful results from each sectorial situation and each company.
5. Choosing "The Axes" properly: Time segmentation and spending causes, demographic but with attitudinal axes, and Psychographic but with a behavioural aspect?

Study done by Theodoros Metaxas (2005) in "Market Research and target market segmentation in place marketing procedure: A structural analysis"

The article focuses on the analysis of market research and target market segmentation procedures, significant parts of Place Marketing effectiveness. Both procedures can plan and performed in city's internal and external environment following the structural model that the paper proposed. The final provided good of the city is its image. So, we can't develop a strategic place-marketing plan, in order to promote this image successfully, without answering first some basic questions with regards to the auditing analysis of the situation in the internal and the external city's environment (a structural analysis). Each of these questions constitutes a guide-tool of analysing each area effectively. The effectiveness of each area

analysis depends on city's planners and marketers' ability to provide the appropriate answers each time

Furthermore, the success of target market segmentation presupposes the quality and the degree of effectiveness of Market research (representative qualitative and quantitative analysis of the current situation). Therefore, we could support that market research and market segmentation, take place after SWOT and PEST analysis and before the place/ city marketing plan implementation.

Finally, the article supports that the proposed structural analysis is characterized by flexibility since it can be used in more specialized research fields, such as: tourism, culture, innovation, business activities, leisure and recreation etc.

Study done by Greg Allenby et al (2002) in "Market Segmentation Research: Beyond Within and Across Group Differences"

Marketing success, just as business success, depends on the return from management's investment in designing, producing, promoting, and selling an offering. The offering that is the object of marketplace exchange is a brand. Brand purchase/use, repeat purchase/use are prime measures of marketing and business success.

From the start, market segmentation research has had the clear, strategically essential objective of providing a description of the diverse nature of demand and state of want-satisfaction within management's product market. Much of the current research on heterogeneity (Allenby and Rossi 1999; Wedel et.al. 1999), for example, lacks the substantive focus needed to guide strategic decisions, including how best to deploy its resources in a particular product market by responding to some subset of behavioral wants as found. Additional research is needed on the key elements of market segmentation analysis the universe being segmented, dependent variable, independent variable and managerial task.

Numerous variables exist in market segmentation research, including the personal relevance of motivating conditions and the frequency with which qualitatively distinct conditions occur, the part-worths of attribute-levels, brand beliefs, consideration sets and actual brand use. Methods are needed for studying marketplace variables (e.g. part-worths) for strategically interesting groups based on the motivating conditions. Such analysis is at the core of market segmentation research, as managements attempt to understand how prospects with a particular kind of behavioral demand view existing offerings.

The relationship between market segmentation research and the managerial task is the final area where we discuss opportunities for research. To some practitioners and scholars our lack of emphasis here on "segmenting" consumers by their shopping behavior or responsiveness to marketing mix elements may seem out of touch with the potential for mining today's data bases. Studying choice among currently available alternatives is important for cross-selling and tactical price management, but these data lack information about the upstream conditions that lead to a deep understanding of consumer preference for a specific brand..

Market Segmentation in Sultanate of Oman

Oman is the second largest country in GCC after Saudi Arabia with total land area of 212,960 square kilometres and

over 80% of its current population of 3 million is Omani nationals. Oman is a middle-income economy in the Middle East with notable oil and gas resources, a substantial trade surplus and low inflation.

Oman Retail Industry is characterized by a strong consumer demand, robust economic growth, distinct demographic factors and high end technology system that ensure the better customer service and efficient customer checks. The sultanate is one of the developing countries that have succeeded in achieving, within a short span of time, a high level of economic growth. Out of the total GDP 57.1% is from the service industry. As in any other country Retail Sector in Oman is having both the sectors organized and unorganized retail sector. Even in the organized sector, there is a stiff competition amongst large number of hypermarkets, convenience stores, warehouses and gas-station chain stores. Everyday new entrants are coming in the business with their new competitive strategies and niches. Oman has good organized retail markets in GCC. Oman's Per Capita retailing space is highest in GCC.

Oman's population touched 4.155 million by the end of March, 2015 with a growth rate of 0.4 percent. Omani citizens' population was 2,325,982, while the expatriates numbered 1,892,143. The latest statistics issued by the National Centre for Statistics and Information (NCSI) show that a majority of the Sultanate's population resides in the Governorate of Muscat. Muscat is also the only Governorate where the number of expatriate residents surpasses the number of Omani residents. The number of expatriates residing in the Governorate reached 790,510 persons compared to 483,649 Omani residents

These data are enough to point out that Demographic Segmentation is proving as good basis for segmentation in Omani market. Expatriates number are very high indicating need of ethnic segmentation in areas of products like food, clothes etc.

The NCSI report also showed that Indian workers lead different nationalities with 597,334 employees, followed by Bangladeshis (508,774), Pakistanis (223,219), Ethiopians (44,411), Indonesians (30,734), Filipinos (29,251), Egyptians (23,094), Nepalese (12,806) and Sri Lankans (12,468).

Among expatriate workers, 1.25 million are working in the private sector, 56,468 in the government sector and 227,238 are employed by families in families, noted the report. These data are enough to suggest that psychographic segmentation is an important base for entry in Omani market. Due to diverse workforce, Oman has people of different lifestyle and values. Marketers must stick to demographic as well as psychographic methods of segmenting Omani market for better prospects.

Conclusion

By selecting and focusing on the most responsive segments to the exclusion of others, marketing can be created to more effectively fit your consumers. Finding, understanding and focusing on the needs of your best customers can make you a market leader. Improve your competitive positioning to be more accurate and better differentiate you from the competition. Reduce competition by competing in a more narrowly defined market and establishing a niche.

Market segmentation is a proven way of improving

profitability. By focusing on individualized sub groups, you're better able to meet their needs and gain higher market share and profits. Focus and match your activities to things you can do effectively and profitably. When segmentation is done right, you get the highest return for your marketing expenditure.

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