

Demographic segmentation is a segmentation technique in which the total market population is divided on the basis of customer demographic variables like age, gender, income, family life cycle, educational qualification, socio-economic status etc. This helps in creating groups exhibiting a similar need and want, and can be targeted in a much more better way by companies.

Demographic segmentation is one of the most commonly used techniques in marketing. The parameters like age, gender, income etc. are accessible and can be used directly without further derivation. The demographics ideally represent a population giving better insights. Many products in sectors like CPG are categorized easily on the basis of demographic variables.

### **Importance of Demographic Segmentation**

This type of segmentation helps classify a group of people who have similar needs based on various parameters related to demographics. Demographic segmentation is usually the basic level of segmentation done as it is done on very basic parameters like age, income, religion, education etc. Since products and services are always made for a specific utility and for customers of a specific age group, people having similar purchasing power etc., it becomes simpler for companies to target these set of customers.

Demographic segmentation, is one of the four types of market segmentation, along with geographic segmentation, psychographic segmentation and behavioral segmentation.

### **Demographic Segmentation Parameters**

The various parameters used for demographic segmentation are given below:

### 1. Age

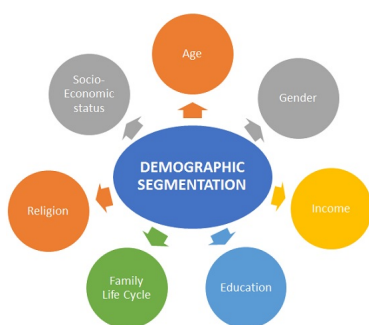
Age of a person is one of most important, simple and quantifiable parameter for segmentation. Based on age segmentation, products can be targeted for different age groups for babies, children, adolescents, adults, middle-age group or senior citizens

### 2. Gender

Products can be made specifically for women or for men as well. This is where gender segmentation helps to differentiate between the two groups and helps companies to target customers better. This is known as gender segmentation

### 3. Income

People who buy a product have to pay a certain price. This depends upon the purchasing power of the customer and whether he / she can afford it. This classification is done by income segmentation, where groups are created by understanding the monthly or annual income of the population.



The above image shows the various variables and parameters used for demographic segmentation

### **4. Education**

Certain products or services are meant for a specific set of customers with a certain educational qualification. This helps companies to target an exact set of customers having similar education backgrounds.

### **5. Religion**

Religion segmentation is used to classify and identify people having similar religious beliefs, spiritual needs etc.

### **6. Family life cycle**

Depending on the stage in which a family is, its needs changes. This segmentation identifies bachelors, married couples, double income no kids (DINKs) etc.

Other parameters like socio-economic background, occupation, ethnicity etc. can also be considered for a more comprehensive demographic segmentation.

## **Advantages of Demographic Segmentation**

There are many benefits of dividing the market based on customer demographics. Some of the advantages are:

1. All the data regarding demographics is easily available from census data maintained by governments of a company
2. Demographic segmentation data like age, income, gender are quantifiable and can be adjusted as per the requirement of a company

3. For a company manufacturing convenience goods, the demographics of customers will more or less remain consistent and hence the company can be consistent with its offering, marketing communication and branding.
4. Demographic segmentation gives a huge population which can be targeted as it does not talk about extremely niche groups
5. Information on income, socio-economic status etc. helps companies to target customers who have the correct purchasing power to buy their product.

## Disadvantages of Demographic Segmentation

Despite the numerous advantages, there are certain drawbacks of using demographic segmentation which are discussed below:

1. Competitors can easily understand the parameters and the demographics which the company is targeting
2. Simple demographic segmentation doesn't give clarity whether the customer actually would buy the product as the needs and wants of a customer are not studied at all
3. Many times targeting the wrong set of customers leads to wastage of time, money and resources for the company.

### Examples of Demographic Segmentation

There are many ways in which examples of segmentation based on demographics can be understood.

1. Age- Nappies are for infants (0 to 12 months), puzzles for kids (3 to 8 years), calculators (15 years and above), walking sticks (60 years and above) etc.

2. Income- In airlines, economy class passengers are mostly from the middle income and business class passengers are high income passengers. People from lower income class do not travel by flight and prefer trains or buses which are cheaper

3. Gender- Beauty products, cosmetics, skirts etc. are for women and razors, shaving creams, wallets etc. are for men. Certain products like bags, pens etc. can be targeted to both genders.

4. Education- Injections, stethoscopes etc. are for doctors

The above examples give an overview how demographics can be used to segment the market.

Many parameters can be collectively used to have a more specific group. One example can be : Premium cars are for people who are above 18 years old, have a high income and command a high socio-economic status.