Behavioral segmentation is defined as the process of dividing the total market into smaller homogeneous groups based on customer buying behavior. Behavioral segmentation is done by organizations on the basis of buying patterns of customers like usage frequency, brand loyalty, benefits needed, during any occasion etc. It is done keeping in mind the needs and wants of a customer based on the behavior that they show.

**Importance of behavioral segmentation**

Behavioral segmentation is performed so that people showing similar buying behavior can be clubbed together in a single group and they can then be targeted. It helps companies to promote and market their product in a very streamlined manner as they can capture the customer based on his / her needs. Also, as people are becoming more and more conscious about the brands they buy and the amount of competition present, customisation of products and services can also be done based on this type of market segmentation.

Behavioral segmentation is one of the four ways of market segmentation, along with demographic segmentation, geographic segmentation and psychographic segmentation.

**Behavioral segmentation parameters**

The target consumers for a product or a campaign can be grouped on the basis of their behavioral characteristics which can be as follows:

1. **Occasion oriented**: When a product is used or purchased for a particular occasion only. The occasion can be repetitive or can be once in a lifetime occasion. This is also known as occasion segmentation.
2. Usage oriented: The grouping can be on the basis of how much a product is being used/consumed by the customer. Accordingly, we call them heavy user or light user groups. Hence the usage frequency is considered as a part of behavioral segmentation.

3. Loyalty oriented: Markets are segmented based on the retention rates of the consumers which is a fair indication of brand loyalty among them. A brand commanding a high degree of loyalty has a very high retention rate and does not need to worry too much about acquiring new customers. But a brand with low loyalty levels continually needs to recruit new and new consumers to its basket.

4. Benefits sought: This is also known as benefit segmentation. Consumer segmentation is also done on the basis of the different benefits perceived by different consumers. There are certain benefits that a person is seeking from a product. Many such products are available which have different variety, price etc which fulfill the needs of a customer. But a customer opts for only those which gives him or her the maximum benefit.

The above image shows the parameters or variables used in behavioral segmentation.

Advantages of behavioral segmentation
Market segmentation is a critical part for breaking down the market into homogeneous groups having similar behavior which becomes easier for a company to cater to. There are several benefits of segmenting on the basis of customer behavior. Some advantages of behavioral segmentation are:

1. It helps a company identify customers with a similar behavior. This makes it easier for companies to target them

2. Needs of people showing consistent behavior can be catered to as compared to people with erratic behavior

3. Brand loyalty can be further built upon those customers who have shown an affinity towards a brand. Thus behavioral segmentation can create a loyal customer base

**Disadvantages of behavioral segmentation**

There are certain drawbacks on segmenting the market on the basis of behavior. Some of them are:

1. Customer behavior changes with time, location, occasion, requirement etc and it cannot always be predicted correctly. Behavioral segmentation can only give a framework on personality traits and behavior

2. Mostly, behavioral segmentation would be done on the basis of qualitative data and not completely quantitative data. Hence, making forecasts, budgets, expenses etc would all depend on certain assumptions
Examples of behavioral segmentation

There are many ways in which customer behavior entices a person to make a purchase. Some examples are shared below:

1. Occasion based: Across the world, 14 Feb is celebrated as Valentine’s Day. This is where companies like Archies Gift target the customer and use their behavior to sell the products on this occasion.

2. Loyalty based: Affluent people are extremely brand conscious and prefer buying from a brand they have an affinity for. This behavior is captured by companies like apparel brands, footwear, perfume companies, beauty products, salons etc.

3. Benefits based: Example of low cost airlines depicts how price sensitive travelers travel at the lowest cost as that is the benefit they are looking for. This behavior is captured by companies and they offer them low tickets along with quick and efficient service.

4. Usage based: Companies prefer the habit of those customers who make a repeated purchase. A customer buying a soft drink everyday or having a chocolate daily are targeted by companies for their usage behavior.