

IMPACT OF BEHAVIORAL SEGMENTATION ON CUSTOMER SATISFACTION – A CONCEPTUAL REVIEW

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ABSTRACT

A population can be divided based on its conduct, including how it reacts to, uses, or is aware of a product. Behavioral segmentation is a method of classifying clients according to how they act when making purchases. It aids in the understanding of how various prospects and customers will use their goods, how engaged they will be, and how long they might be customers by product and marketing teams. There is a tone of prospective customers thanks to various behavioral segmentation patterns in India and other countries. Businesses can identify customers with similar buying patterns and behaviors by using behavioral segmentation. It aids businesses in comprehending customer preferences. Customers who are most in line with a company's brand can develop a strong loyalty to it. Consumers often look for a specific set of benefits when purchasing a product. They look for products that, in terms of availability, variety, or cost, satisfy their needs. Some consumers, however, are adamant about getting a solution that will meet their needs and offer them every perk imaginable. Finding out how behavioral segmentation influences customer happiness is the study's main objective.

Keywords: Behavioral Segmentation, Brand loyalty, Customer satisfaction, Products, Patterns.

Introduction

Behavioral Segmentation is the process of dividing the entire market into uniform, more manageable groups based on consumer purchasing patterns. Based on consumer purchasing behaviors including usage frequency, brand loyalty, benefits needed, occasion of purchase, etc., organizations construct behavioral groups. People are treated with care for their wants and desires based on the behavior they display. A marketing strategy known as "behavioral segmentation" divides customers into groups based on how they interact with a particular business or website.

Customers may fall into one of these categories depending on a range of variables, including their perceptions of your business, their use of your goods and services, and other aspects.

- Their propensity for making purchases, such as whether they only do so on special occasions like holidays or birthdays;
- Their familiarity with your business and the things you sell.

By adopting behavioral segmentation, marketing experts and business owners can better understand their target market and tailor their products and services to the needs of certain clients.

What is Segmentation?

By segmenting the market, marketing managers can better grasp the wants and needs of their customers. As a result, they have the chance to "tailor" or ethically "customize" the business' marketing plans to suit the preferences of the individual customers. Companies that segment their markets are better able to meet and exceed client expectations. They might be able to evaluate the benefits and drawbacks of the competitors as well. They might be able to identify business prospects in underdeveloped markets utilizing this.

By using consumer segmentation, marketers may approach future planning in a more logical manner. In turn, more intelligent use of marketing resources results in the development of a marketing program that is more specifically targeted. The businesses' integrated marketing communications, for instance, might be better organized since targeted advertising (like native advertising) and promotional activities may be targeted to certain clientele. For instance, with the development of data-driven, digital technologies like sensor analytics, geolocation, and data collection through social media platforms, it may be able to follow users' movements and other real-time events. Smith's (1956) idea of segmentation as the measurement and definition of market differences is as relevant today as when he first introduced it and is extensively taught in marketing courses worldwide and well as being an integral part of modern marketing management and marketing research (Wedel and Kamakura 2002). Demographic segmentation is by far the most popular and prevalent form of segmentation

as it allows consumers to be placed on definite, measurable scales which are easily understood (Beane and Ennis 1987) by both consumers and marketers alike.

Literature Review

A successful firm is one that has a sizable customer base, so corporations have traditionally placed a high importance on developing a loyal customer base. According to Bösehans & Walker (2020), market segmentation significantly depends on bases (criteria and variables) and methods. The use of this cutting-edge technology by tourism organizations is increasing as they improve their customer-centric marketing methods. (Schegg & Stangl, 2017; Camilleri, 2016). In today's highly competitive banking industry, success is considered as primarily based on client satisfaction. The income variable determines the capability to purchase, therefore, forms the segmentation criteria (Venter, 2015). Purchasing portfolios includes need motivation, perception, learning involvement, attitude, occasions, benefits, and usage rate (Venter, 2015). With different psychographic motives, psychographic segmentation is powerful because it enables the marketer to fine-tune their messaging to appeal to the values and priorities of each segment (Venter, 2015). In contrast to perceived bank strategy, which is an attitude that attests to the brilliance of a service, pleasure is related to a single transaction. (Chigbu, 2014).

After front-line staff, higher education institutions need some students, and businesses that employ good marketing strategies require clients. (Kotler and Keller, 2013). According to Kotler and Keller (2013), consumers are divided into groups via behavioral segmentation based on the following criteria:

1. The facts;
2. A point of view; and
3. A conclusion.

According to Zeithaml et al. (2013), customers' value involves time, money, and effort, in addition to the quality and price of the product, as well as market segmentation and pricing. Regardless of marketing philosophy (Limakrisna and Susilo 2012) according to business philosophy, in order for social and economic organizations to be profitable in the long run, they must first and foremost meet their consumers' requirements. According to Curtis et al.'s (2011) research, recurring purchases and consumer satisfaction levels when recurring purchases and levels of customer satisfaction have a major impact on overall consumer loyalty when those two features are linked to purchases. It also takes into account the benefits that clients received (Gryphon and Ebert 2007). This backs up Prabhakaram and Satyal's (2003) a notion that the customer is the king of business and that every company's primary mission is to serve them. Market segments are not real entities naturally occurring in the market place, but groupings created by managers of how managers view the market to help them develop strategies that better meet consumer needs at the highest expected profit for the firm (Wedel and Kamakura 2002). Segmentation strategies can help- managers look for new product opportunities, create improved advertising/promotional messages (Beane and Ennis 1987) and overall can provide a closer matching with consumers (Sharp, Romaniuk and Cierpicki 1998). The Behavioral Perspective Model (BPM), a model developed by Foxall (1990) and based on behavioral psychology, suggests that the most important determinant of behavior is the environmental consequences it produces. People, in my opinion, should spend their money on items and services that provide the best value for money, taking into account their needs and desires as well as the price. The aggressive marketing approach of the corporation places a major emphasis on increasing consumer value. Any successful business must have a strong focus on customer satisfaction. Customer satisfaction is positively associated to benefits, loyalty, and readiness to recommend goods and services, and desire to make repeat purchase. Customer loyalty may increase if customers are pleased with the quality of the products or services and believe they are getting a great deal.

Businesses will use word-of-mouth marketing to alert customers about potential competitors and will encourage customers to purchase things that have undergone rigorous testing as a result of customer loyalty or allegiance.

Research Methodology

Problem Identification

To learn about segmentation, and the effects of behavioral segmentation, on customer satisfaction.

Objectives of the study

- To study on what base, markets need to be segmented to attract customers.
- To determine how behavioral segmentation affects customer satisfaction.

Data collection

The researcher examined a variety of secondary sources, including PhD dissertations, research journal articles, and reference books, because the current study is based on secondary data.

Secondary Data Analysis

Importance of Behavioral segmentation

The fundamental objective of behavioral segmentation is to understand consumer needs and ambitions by offering extras based on how customers behave while making purchases of goods or services. Additionally, it enables companies to attract clients by providing them with customized goods.

Identifies the most engaged users: By having the ability to eliminate existing clients and potential leads who demonstrate the highest levels of engagement, such as those who regularly read your emails or spend the most time on your product websites, marketers may more effectively manage their time, money, and resources. By saving money on primarily cold leads, your marketing becomes more cost-effective. Your primary focus should be on those who are most likely to make a purchase.



Fig.1 Behavioral segmentation (Source: <https://www.yieldify.com/blog/behavioral-segmentation-definition-examples/>)

Enhances message accuracy: By using behavioral segmentation, marketers can tailor their positioning and advertising messages to the available customer data. Assume you already know that visitors to your fashion e-commerce site who are between the ages of 24 and 35 are the most active. This demographic information can be improved by using behavioral segmentation to separate the segment based on their hobbies and pastimes, such as "interested in active wear" vs. "interested in formal attire," or "one-time shopper" vs. "wardrobe overhauler."

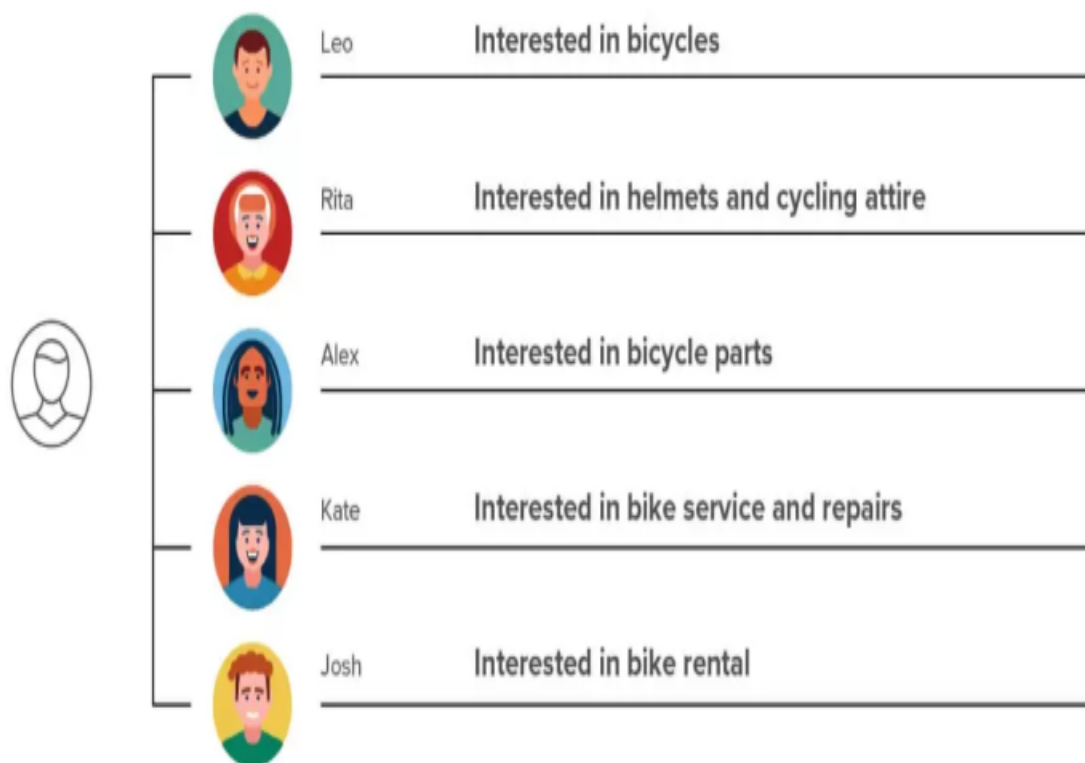


Fig.2 Demographic information (Source: <https://www.yieldify.com/blog/behavioral-segmentation-definition-examples/>)

Offers sophisticated, personalized experiences: A company's expression of its sense of identity and distinctiveness might differ noticeably depending on how thoroughly it studies its audience and how well it understands the requirements, wants, worries, and expectations of its target market. Particularly tailored strategies can increase customer loyalty while reducing bounce rates, cart abandonment, and slowing down the checkout process. These tactics include, for instance, displaying similar products on the website or sending an email with an upsell after a recent transaction.

Builds brand loyalty: If customers feel taken care of throughout their customer journey, they will instinctively choose a brand over competitors. By using behavioral segmentation, ecommerce businesses can boost long-term income, customer satisfaction and retention, and client lifetime value. All owing to more precise targeting and customization.

Behaviors that improve customer journey state, engagement, and satisfaction

To give a complete image of a consumer during the entire buying process, behavioral segmentation uses four main categories. Each component provides insightful data that can be applied to a range of marketing platforms to influence customers to make purchases that are consistent with their degrees of interest and delight. These fall into one of four major behavioral types.

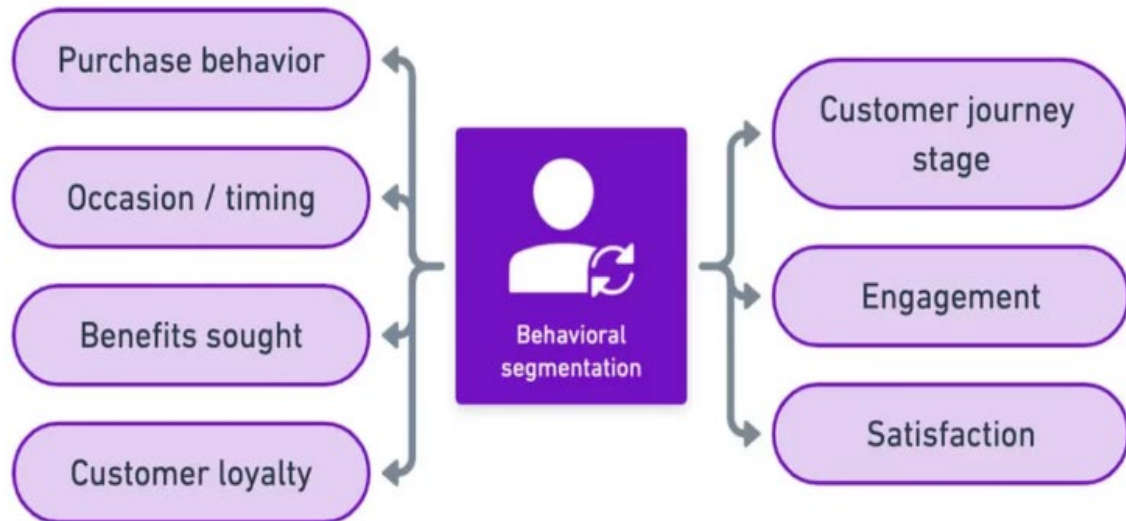


Fig.3 Behavioral types (Source: <https://www.yieldify.com/blog/behavioral-segmentation-definition-examples/>)

1. **Segmentation based on purchase and usage behavior:** It is possible to discern between the many trends and behavior patterns that customers exhibit while making a purchasing choice by segmenting based on buy behavior. Using this type of behavioral segmentation, you may learn more about your customers' prospective purchase stages, their involvement in the transaction, any potential problems they may be experiencing, the incentives they are most likely to respond to, and much more.
2. **Segmentation based on timing or occasion:** A wedding, a relocation into a new home, a trip, or significant personal events like a holiday season or a national festival like Labor Day can all be categorized as occasions. Occasion-specific purchases may also be part of a customer's routine. Because they can only be made at specified times, occasion-based purchases include items like happy hour drinks after work and a caffeinated beverage in the morning. You can categories customers using this kind of segmentation in advance by looking for patterns in their buying habits.
3. **Benefits sought segmentation:** When we buy something, we do so in the hope that it will fulfil a need or offer us a benefit. Even when buying toothpaste, we typically favor the following value arguments despite their seeming innocence: While some people could be looking for the advantages of whitening, others might be seeking relief from their painful gums. These consumer segmentations based on criteria provide the benefits required.
4. **Customer loyalty-based behavioral segmentation:** It makes it simpler to focus on current repeat customers, their expectations, behavior patterns, and other characteristics. Loyal customers are very beneficial for your business in terms of repeat business, referrals, word-of-mouth, and customer feedback. You can use the facts in this area to improve your posture, broaden the scope of your value proposition, and make the most of your marketing efforts.

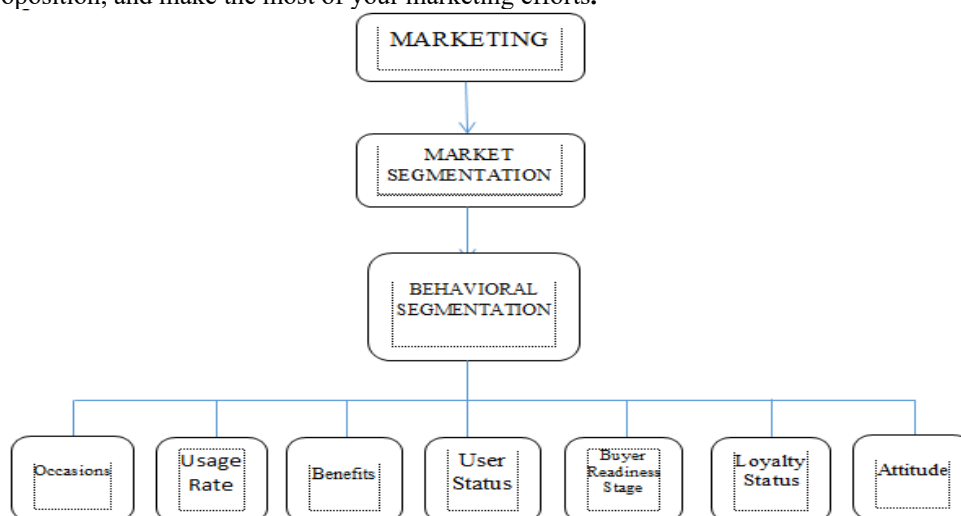


Fig 4. Conceptual Framework (Journal EMBA Vol 5 No. 3 September 2017 HAL 4395-4404)

Impact of behavioral segmentation on customer satisfaction

To flourish in today's competitive business world, a company must meet the demands and desires of its current consumers while simultaneously attracting new ones. Customer value is thought to be a control factor in all business plans. Client happiness must thus be a primary priority for all businesses.

A marketing approach known as behavioral segmentation selects and categorizes potential customers based on similar behavior traits. This strategy can give organizations with valuable data that they can utilize to develop plans to boost consumer involvement, satisfaction, and income.

The term "behavioral segmentation" refers to the practice of categorizing customers based on their purchasing habits. Market researchers are responsible for monitoring consumer pleasure, brand or product interactions, level of loyalty, and purchase readiness, which is a measure of product understanding. The most basic method is behavioral segmentation based on client satisfaction. Customer feedback can help a product or service improve by discovering the traits that customers appreciate the most or that they could use to surpass competitors.

Conclusions

A properly implemented segmentation strategy will undoubtedly boost client satisfaction. The study's findings show that customers will persist with any company that can meet their needs. Customers are recommended to switch to another provider that offers a better service for their needs. Behavioral segmentation, when done effectively, has the potential to increase consumer happiness. Customers make irrational judgements; thus, the better a company's people and marketers understand and respond to them, the happier the customers will be. Benchmarking competition is an important step in retaining current customers and obtaining new ones. Customers must be satisfied with an organization's behavioral segmentation tactics in order for them to be able to dictate performance.

Recommendations

As a result, the current study recommends that firms employ benefit-based segmentation to attract new customers and retain existing ones.

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