4) Market Segmentation:

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Concept of Market Segmentation

In older days, many business firms viewed all their consumer population as a single market with uniform characteristics and requirements. Hence th developed a single brand and a common marketing programme to satisfy all their consumer population. However, in the recent years with the increase in the competition this old approach of firms does not yield the desired results. Hence the modern firms subdivide their target market into different groups and subgroups of consumer populaation on thebasis of their identifiable distinct and homogeneous characterstics. Each of these groups is called a market segment . Further the firms use disctinct marketing mix for each of these market setgments, in order to increase consumer satisfaction and profits of the business. Thus market segmentation is a recent idea that helps the firms in framing their marketing strategy.

Definitions

Same of the important definitions of market segmentation are given below.

(1) Marketing segmentation is a process of dividing a market into distinct groups of buyers on the basis of needs, characteristics or behaviour who might repaire separate products or marketing mixes".

- Philip Kotler

- The American Marketing Association

(2) Market segmentation consists of taking the total heterogenous market for a product and diiding it into served sub markets or segments each of which tends to be homogeneous in all significant aspects.

- William A. Stanton

Thus, market segmentation is the process of subdividing of the target market into subgroups of consumer population with identifiable, district and homogeneous characteristics witha view to develop and pursued distinct and differentiated marketing programmes for such subgroup in order to enhance consumer satisfaction and the profit position of business.

Features

On careful analysis of the above definitions, we may obtain the following characterstic features of market segmentation.

(1) **Process :** Market segmentation is a process of subdividing the target market for firm's goods and services into subgroups of consumer population.

(2) **Segments :** Consumers of products of services of a firm differ in their wants, resources, geographical location, buying attitudes, buying practices, etc. Hence, they are divided into homogeneous groups and subgroups having distinct features. Each of these subgroups are called segments. Thus, a marketing setment is a meaningful consumer group having distinct feature and similar want.

(3) **Object :** The object of doing market segmentation is to enable the business firm to focus properly on the specific consumer needs of each segment and to maximise the consumer satisfaction and profits of business.

Market segmentation also helps small business firms to identify the most attractive segments that they can serve effectively instead of running after all varieties of consumers in different segments without giving proper justice to any of them.

(4) **Special market mix :** By doing market segmentation firms attempt to fulfill the needs of different consumer groups through proper marketing mix consisting of products, price, promotion and distribution.

(5) **Use of bases :** For segmenting the firm's market various bases are used, such as region, age, sex income levels, occupation, religion, consumption level, culture, etc. of consumers.

(6) **Target marketing :** Market segmentation helps a firm to do target marketing. A firm can identify the most attractive market segments that can be effectively served through appropriate products, prices, promotion, price and distribution channel.Thus the firms, instaed of scattering their marketing efforts, are focussing on consumers, who have greater interest in the values they create best.

(7) **Flexible :** The segeentation of markets in flexible in nature as it goes on chaning with the change in business environment and market conditons.

(8) **Strategy :** Market segmentation is a consumer oriented strategy, whereby a business firm devices a special market mix as per the needs of consumers in each market segment in a target market of the firm.

Example :

Hindustan Lever Ltd. in India produces shampoos for four types of hair serving two speciic purposes. These four types are :

1. SUNSILK 'Tonic' for dry hair
2. SUNSILK 'Lemon' for greasy hair
3. SUNSILK 'Beauty' for normal hair
4. SUNSILK 'Egg-Protein' for undernourished hair.

In each of these types, again there are two varieties, namely, regular shampoo and dandruff control shampoo'.

Thus, the company has eight market segments consisting of consumers with different hair and needs. The company tries to satisfy them with a special product for each segment.

Importance of Market Segmentation

Market segmentation strategy offers several benefits to the organisation as well as to the consumers. The important benefits enjoyed by the organisation using this strategy are :

1. Improves Knowledge of Makret : Market segmentation improves organisation's understanding of the market. While doing market segmentation, the marketing manager studies the profile of consumers, their needs, wants and preferences.

2. Identifies Market Opportunities : Marketing manager is in a better position of identify, compare and evalute the marketing opportunities for his organisation. He examines the level of satisfaction of different subgroups of consumers regarding the current marketing mix offered by various firms. The subgroups indicating lower level of satisfaction with the exisiting goods and services offered by various competing firms represent excellent marketing opportunities for his firm.

3. Better Assessment of Competitors : Market segmentation strategy helps the business firm is judging the strength and weaknesses of the competitiors. If some of the market segments are served efficiently by the competitiors, the firm may give up those segments and concentrate on other segments, which are not served properly by the competitors and take full advantage of market opportunities.

4. Better Utilisation of Firm's Resources : By doing market segmentation the business firm targets only those consumer groups, which are neglected. This helps in minimising the wastages and making optimum utilisation of firm's resources.

5. Consumer Orientation : By doing market segmentation, a business firm targets the consumer population to be served. Then it plans a systematic and matching marketing mix and programme to serve the needs of those consumers. This help the firm to serve its target consumers in a better wayrather than try ing to satisfy diverse needs of all varieties of consumers in market.

Bases for Market Segmentation

Market segmentation involves grouping and subgrouping of consumers on the basis of similar buying characteristics. There are a number of bases on which such segmentation or groupipng of consumers can be done. These bases are as under.

Bases of Market Segmentation

(A) Consumer Characteristics	(B) Consumer Responses
(1) Geographic	(1) Benefits
(2) Demographic & Socio-Economic	(2) Usage
(3) Psychographic	(3) Loyalty
	(4) Occasion

(A) Consumer Characteristics Approach :

Under this approach, person characteristics of consumers as to where they live, who are they, how they behave, etc. are considered for making segmentation of markets. Followiong is the brief explanation of these bases.

(1) **Geographic Segmentation :** Geographic segmentation is the most traditional basis of market segmentation, which is used widely even today. The market is divided into different geographical units as continents, countries, states, districts, regions and areas, etc. As the consumers in different areas have different prefernces and tastes for products, marketing managers distinguish carefully among the regions, in which they may operate and select only those where they hae comparative advantage. Sometimes, they may even operate in all those regions paying attention to the geographical needs and prefernces of consumers in those regions.

(2) **Demographic and Socio-economic Segmentation :** Demography means the study of population. Demographic segmentation is based on demographic variables, such as age, sex,

marital status, family size, place of residence, etc. Socio-economic segmentation is based on socio-ecomomic characteristics, such as income level, education, occupation, social class, religion and culture, family life cycle, etc. For example, the market for consumer goods in India is segmented into 3 segments - high income group, middle class and lower income group. The middle class is further segmented husband and wife working, young family with only husband working. etc. Such a type of segmentation helps in devleoping on demographic variables is the most populat for two reasons; firstly consumer wants, preferences and usage rates are highly associated with these variables, and secondly, these variables are easier to measure than most other types of variables.

(3) **Psychographic Segmentation :** Psychographic is a recent approach to market segmentation. This approach has been designed by **Professor E. Denby,** who says that psychographic tries to describe the human chatacter of consumers that has influence on their responses to products, packings, advertising and public relations efforts of the firm. Psychographic characteristics include variable like - persoality, attitudes, life-style.

(i) Personality - Personality means the individual's consistent reaction to world around him. Personality reflects the behaviour of people. The personality variables are - dominance, aggressiveness, objectivity, achievement motivatiion, etc. These incluence the buying behaviour. Accoring to personality study conducted by a study group in U.S.A., it was revealed that Ford cars attracted the personalities with features like *'independent, impulsive, masculine, alert to change and self-confident, whereas Chevrolet cars are used by people who are conservative, thrifty, prestige conscious, less masculine and seeking to avoid extremes*. Thus, personality has impact on buying behaviour.

(ii) Life-style - Life-style indicates the person's living and spending of time and money. It influences a person's allocation of income across his needs and among different brands of products. Thus, the customers can be grouped as *Pleasure Seekers (or hedonistic),* who try to purchase the latest varieties of goods and services without caring for their prices; *Status Seekers,* who try to buy the goods and services of superior quality that will reflect a high status in the society; and *Plan People,* who go for economical and normal quality goods and services that do their job quite decently.

(iii) Attitude - Attitude describes a person's predisposition and perception towards objects, individuals and events. It describes the positive or negative feeling of consumers towards the

market mix offered to him by a firm and the firm itself. Attitudes are developed among the people out of beliefs, knowledge and thinking.

(B) Consumer Response Approach :

Consumer characteristics approach focuses on who will be the consumer, whereas the consumer response approach pays attention to why the consumers buy the products and services. Consumer response to the market offerings provide significant bases for market segmentation. These responses are - benefits, usage, loyalty and occasion. A brief description of these bases goes as under :

(1) Benefits Response : Benefit segmentation divides the market into groups according to the king of benefits they expect from goods an services of the firm. These benefits differ from product to product. These benefits are durability, efficiency, economy, resale value, prestige, etc. For example, in case of toothpaste, the benefits expected by the customers may be bright teeth, prevention of tooth decay, mouth freshness, taste, low price, etc. In case of an automobile, the benefits expected may be look of the vehicle, fuel efficiency, after sale services, status, resale value, price, quality, size of vehicle, etc. Benefit segmentation proves useful, because the company can choose the benefits expected by the customers, it can do the product planning and publicity accordingly. It can create the product providing the benefits expected by its customers and deliver those by a direct message to the group seeking those benefits.

(2) Usage Response : Usage response or Volume response segmentation classifies the consumers as HEAVY, MEDIUM and LIGHT and NON-USERS of the product or service. NON-USERS are further classified as NON-POTENTIAL USERS and POTENTIAL USERS. These groups are further subdivided on the basis of other demographic and psychographic factors and geographical areas. Many business firms design special marketing efforts focussed on heavy users or potential users. Thus, treatment to consumers in different usage segments differs.

(3) Loyalty Response : Loyalty segmentation divides buyers into different groups according to their degree of loyalty, as under :

(i) Hard core loyals - Customers who go for one brand all the time.

(ii) Soft core loyals - Customers who prefer two to three brands only.

(iii) Shifting loyals - Customers who often change loyalty from one to another over a period of time.

(iv) Brand switchers - Customers who are not loyal to any brand. They accept product with any brand.

The customers in each of the above segments are further divided on the basis of demographic, socio-economic, geographical and psychographic patterns. Marketing strategies, advertising and product appeals are specially designed for each of these loyalty based segments to convert them into hard core loyals.

(4) Occasion Response : Occasion response segmentation determines which situations produce optimum consumption pattern for a given product. For example, local rice is used for daily consumption, but when special occasions arrive, consumers prefer branded rice.

Thus, the above bases can be used to segment the market for the convenience of marketing. Markets are segmented using two or more of the above bases and proper market mix is provided for target market segments.

Targeting

After the most attractive segments are selected, a company should not directly start targeting all these segments -- other important factors come into play in defining a target market. Four sub activities form the basis for deciding on which segments will actually be targeted.

The four sub activities within targeting are:

1. defining the abilities of the company and resources needed to enter a market

2. analyzing competitors on their resources and skills

3. considering the company’s abilities compared to the competitors' abilities

4. deciding on the actual target markets.

The first three sub activities are described as the topic competitor analysis. The last sub activity of deciding on the actual target market is an analysis of the company's abilities to those of its competitors. The results of this analysis leads to a list of segments which are most attractive to target and have a good chance of leading to a profitable market share.

Obviously, targeting can only be done when segments have been defined, as these segments allow firms to analyze the competitors in this market. When the process of targeting is ended, the markets to target are selected, but the way to use marketing in these markets is not yet defined. To decide on the actual marketing strategy, knowledge of the differential advantages of each segment is needed.

Positioning

When the list of target markets is made, a company might want to start on deciding on a good marketing mix directly. But an important step before developing the marketing mix is deciding on how to create an identity or image of the product in the mind of the customer. Every segment is different from the others, so different customers with different ideas of what they expect from the product. In the process of positioning the company:

1. identifies the differential advantages in each segment

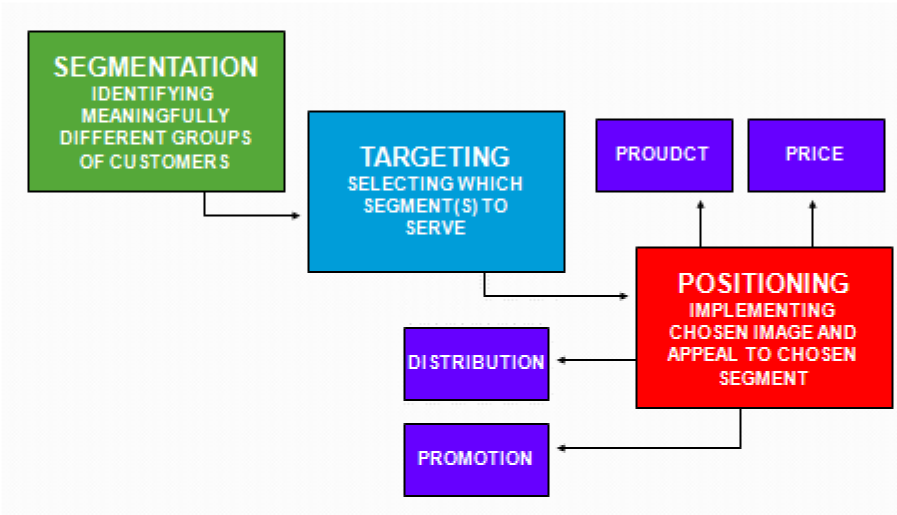
2. decides on a different positioning concept for each of these segments. This process is described at the topic positioning, here different concepts of positioning are given.

The process-data model shows the concepts resulting from the different activities before and within positioning. The model shows how the predefined concepts are the basis for the positioning statement. The analyses done of the market, competitors and abilities of the company are necessary to create a good positioning statement.

When the positioning statement is created, one can start on creating the marketing mix.

Segmentation, Targeting, and Positioning

Segmentation, targeting, and positioning together comprise a three stage process. We first (1) determine which kinds of customers exist, then (2) select which ones we are best off trying to serve and, finally, (3) implement our segmentation by optimizing our products/services for that segment and communicating that we have made the choice to distinguish ourselves that way.



Segmentation involves finding out what kinds of consumers with different needs exist. In the auto market, for example, some consumers demand speed and performance, while others are much more concerned about roominess and safety. In general, it holds true that "You can't be all things to all people," and experience has demonstrated that firms that specialize in meeting the needs of one group of consumers over another tend to be more profitable.

Generically, there are three approaches to marketing. In the *undifferentiated* strategy, all consumers are treated as the same, with firms not making any specific efforts to satisfy particular groups. This may work when the product is a standard one where one competitor really can't offer much that another one can't. Usually, this is the case only for commodities. In the *concentrated* strategy, one firm chooses to focus on one of several segments that exist while leaving other segments to competitors. For example, Southwest Airlines focuses on price sensitive consumers who will forego meals and assigned seating for low prices. In contrast, most airlines follow the *differentiated* strategy: They offer high priced tickets to those who are inflexible in that they cannot tell in advance when they need to fly and find it impractical to stay over a Saturday. These travelers—usually business travelers—pay high fares but can only fill the planes up partially. The same airlines then sell some of the remaining seats to more price sensitive customers who can buy two weeks in advance and stay over.