Chapter 13. Market Segmentation, Targeting & Positioning

LEARNING OBJECTIVES

1. Three Variable Factors of Market Demand

2. Market Segmentation & Its Features

3. Identification and Selection of Market Segment

4. Segmentation Process & Examples of Market Segments

5. Market Segmentation Model

6. Approaches to Market Segmentation

7. Market Segmentation Strategies

8. Product Positioning

9. Segmentation of Industrial Market

1. THREE VARIABLE FACTORS OF MARKET DEMAND

1. Population Variables (Size of Demand)

2. Income (Money to Spend or Purchasing Power)

3. Buyer Behaviour (Purchasing Propensity or Social/Psychological Factors)
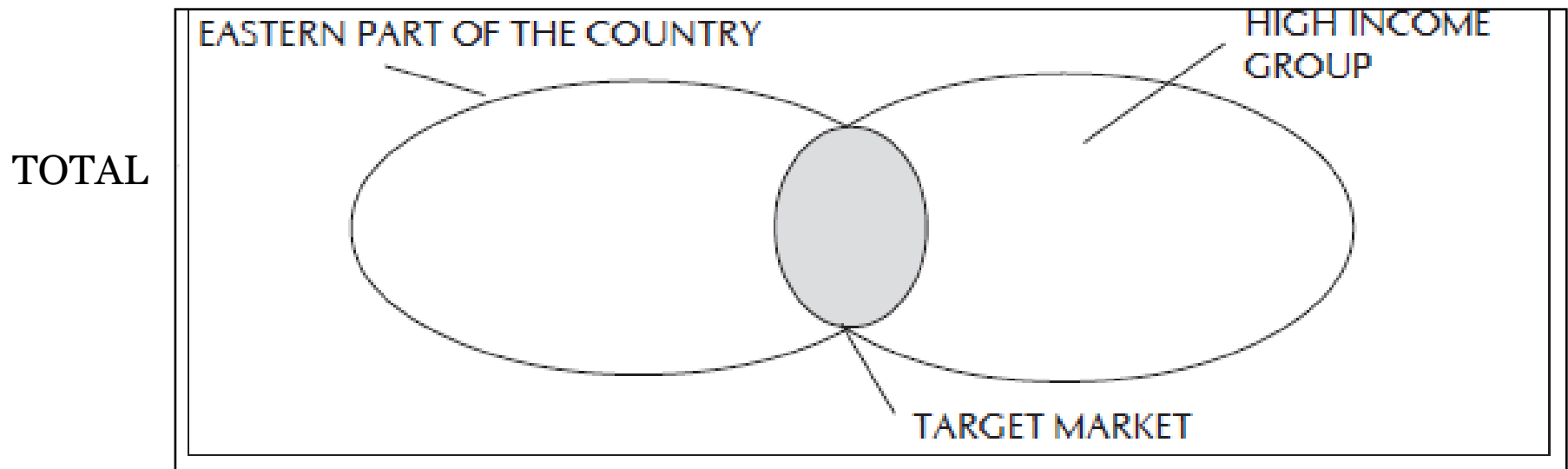
2. MARKET SEGMENTATION

- A business enterprise can adopt two types of strategies to explore the market:

1. **Product Differentiation:** Product differentiation (through branding) enables the manufacturer to exercise control over demand, prices, and distribution. By differentiating a product from its rivals, the brand owner is able to establish his own price which cannot be compared easily with prices of competing goods.

2. **Market Segmentation:** Segmentation or *subdivision* of the market is based upon the modern marketing concept *i.e.,* market-oriented strategy and philosophy. Segmentation gives special emphasis on the demand side of the market. Segmentation implies *bending of supply* to the will of demand as far as feasible and desirable.

2.1 FEATURES OF MARKET SEGMENTATION

- Formulates a specific market offering to specific category or segment of the market so that supply will have best correlation with demand.

- It is a method for achieving maximum market response from limited marketing resources by recognising *differences* in the response characteristics of various parts of the market.

- Market segmentation enables the marketers to give better attention to the selection of customers and offer an appropriate marketing-mix for each chosen segment, or a group of buyers having homogeneous demand.

3. IDENTIFICATION OF TARGET MARKET SEGMENT

TOTAL

EASTERN PART OF THE COUNTRY

HIGH INCOME GROUP

TARGET MARKET

3.1 SELECTING THE MARKET SEGMENT

Single-segment Concentration

Selective Specialisation

3.1 SELECTING THE MARKET SEGMENT

Product Specialisation

Market Specialisation

3.1 SELECTING THE MARKET SEGMENT

	M₁	M₂	M₃
P₁			
P₂			
P₃			

M_1, M_2, M_3 : Market Segment
P_1, P_2, P_3 : Product

Full Market Coverage

Source: Adapted from Derek F. Abell, "Defining the Business: The Strategic point of Strategic Planning" (Englewood Cliffs, N.J. Prentice Hall, 1980), Chapter 8, pp. 192-96.

4. SEGMENTATION PROCESS

ANALYSE THE NEEDS OF CUSTOMERS

ANALYSE THE CHARACTERISTICS OF CONSUMERS

DISAGGREGATE THE CONSUMERS INTO SUITABLE SEGMENTS

FORMULATE DIFFERENT MARKET MIX FOR DIFFERENT SEGMENTS

FEEDBACK OF VARIOUS SEGMENTS

SELECT THE HIGHER POTENTIAL SEGMENTS

4.1 INDIAN EXAMPLES OF VARIOUS MARKET SEGMENTS

1. Single Segment Concentration: Woodlands shoes, Cellular phones

2. Selective Specialisation: Denta Cream Toothpowder (Dabur)

3. Market Specialisation: Sultan Chand & Sons (Books covering all types of student needs, schools, colleges & institutes)

4. Product Specialisation: Mahindra & Mahindra Jeeps, Bajaj Auto

5. Full Coverage: Pepsi, Titan, Bata.

4.2 BENEFITS OF SEGMENTATION

- Effective formulation and implementation of marketing programmes

- Market can be defined more precisely in terms of customer needs.

- Marketers can make finer adjustments in their products and marketing communications.

- Competitive strengths and weaknesses can be assessed effectively. Marketers can use resources more profitably by catering to customer demand which is not being met by rivals.

- Each heterogeneous market can be divided or partitioned into a set of smaller, more homogeneous segments or groups of customers to arrive at an appropriate marketing-mix.

4.2 BENEFITS OF SEGMENTATION

- Segmentation leads to a more effective utilisation of marketing resources because customer is the focus of marketing effort and only target markets are served.

- Market segmentation helps matching of market opportunities to corporate resources and enables the enterprise to give successful competition in the market.

- Market segmentation enhances marketing efficiency by offering specific pricing, promotion and distribution as per differing response features of each segment.

4.3 SEGMENTATION SUCCESS CRITERIA

The conditions essential for successful market segmentation are:

a) The segment or sub-division must be based on market characteristics which are measurable.

b) The segment, which is identified, must be accessible, *i.e.,* it should be within our reach through means of communication and distribution.

c) The segment, which is already identified and which can be communicated, should respond to the marketing effort.

d) The segment, after fulfilling the first three criteria, must be worthwhile while cultivating and exploiting it. Unless the size of the segment is large enough, the marketing effort cannot yield rich dividends.

5. MARKET SEGMENTATION MODEL

MARKETING PROGRAMME MARKETING MIX	DEMOGRAPHIC SOCIOECONOMIC CHARACTERISTICS	PSYCHOGRAPHIC AND PSYCHOLOGICAL CHARACTERISTICS
STIMULI	CUSTOMER STATE-OF-BEING	CUSTOMER STATE-OF-MIND
PROMOTION-MIX DISTRIBUTION-MIX PRODUCT-MIX	CRITERIA: AGE, SEX, FAMILY SIZE, EDUCATION, OCCUPATION, INCOME, FAMILY LIFE CYCLE, SOCIAL CLASS RELIGION, CULTURE	CRITERIA: PERSONALITY LIFE STYLES MOTIVATION PERCEPTION LEARNING ATTITUDES, VALUES, BELIEFS, PREFERENCES

5. MARKET SEGMENTATION MODEL

PRODUCT USAGE
AND BENEFITS

RESPONSE
BUYER DECISION
AND BEHAVIOUR

CUSTOMER
EXPECTATION
AND
PRACTICES

CUSTOMER
SATISFACTION OR
DISSATIS-
FACTION

CRITERIA:
USAGE:
HEAVY
MEDIUM
LIGHT
NON-USERS,
BENEFITS:
ECONOMY
PERFORMANCE
STYLE,
FLAVOUR,
PRODUCT:
APPEARANCE
LOYALTY
BRAND
STORE PRICE VS. SERVICE

DECISION PROCESS:
1. PERCEIVED NEED
2. SEARCH FOR
   INFORMATION
3. EVALUATION OF
   ALTERNATIVES
4. DECISION TO BUY
   OR NOT TO BUY
5. POST-PURCHASE
   BEHAVIOUR

6. APPROACHES TO MARKET SEGMENTATION

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                    ┌─────────────────────────┐
                    │    APPROACHES TO        │
                    │  MARKET SEGMENTATION    │
                    └─────────────────────────┘
                                │
          ┌─────────────────────┴──────────────────────┐
┌──────────────────────────────┐        ┌──────────────────────────────┐
│ CUSTOMER PERSONAL            │        │ CUSTOMER RESPONSE BEHAVIOUR  │
│ CHARACTERISTICS              │        │ (PRODUCT-ORIENTED APPROACH)  │
│ (PEOPLE-ORIENTED APPROACH)   │        └──────────────────────────────┘
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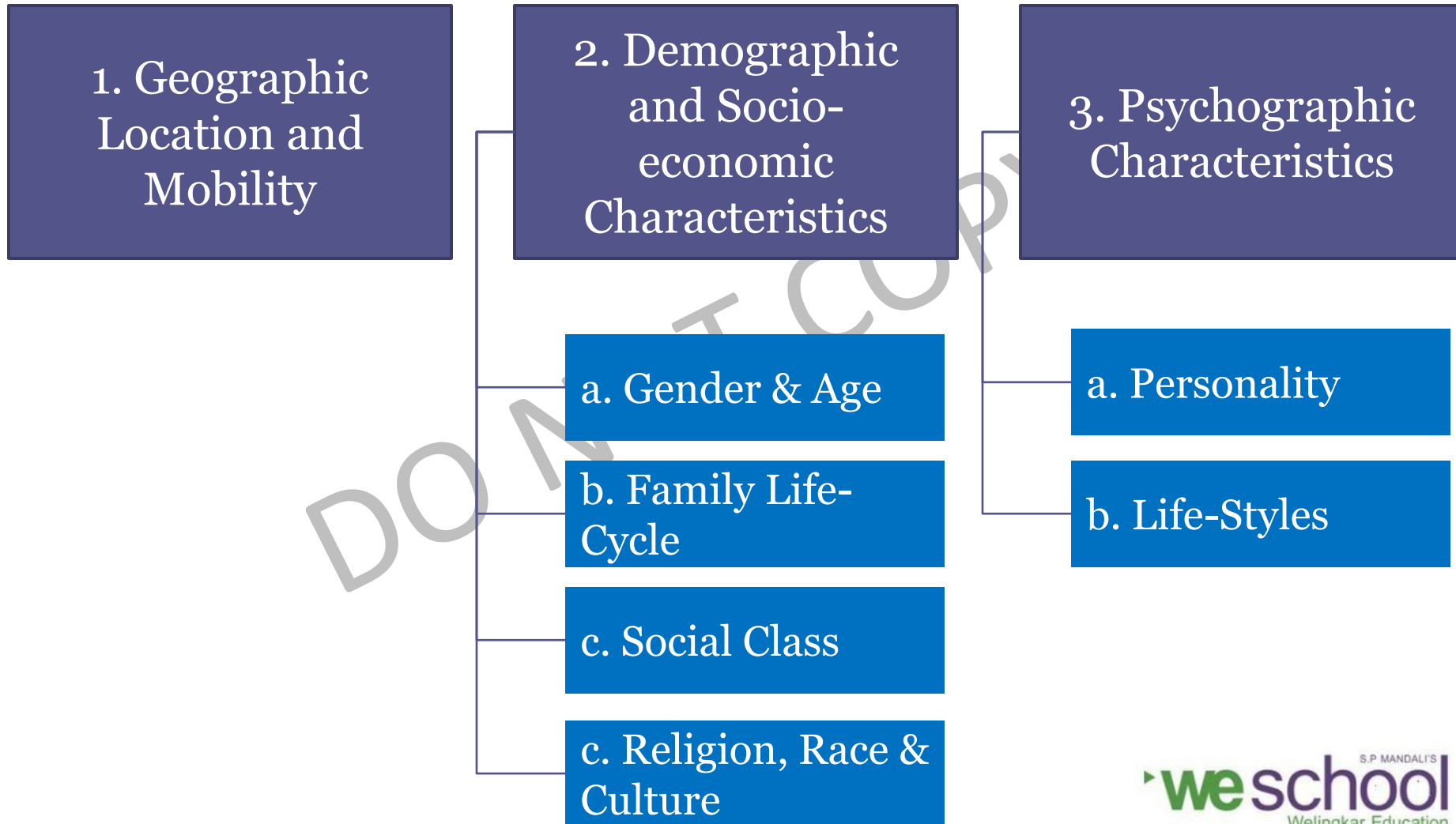| USE PATTERN	BENEFITS PATTERN	BRAND LOYALTY PATTERN	STORE PATRONAGE	USE OF BUYERS ATTITUDES MOTIVATIONS PERCEPTIONS PREFERENCES TOWARDS THE BRAND/ PRODUCT

6. APPROACHES TO MARKET SEGMENTATION

The Customer can be classified by many customer dimensions as below:

CUSTOMER PERSONAL CHARACTERISTICS
(PEOPLE-ORIENTED APPROACH)

GEOGRAPHIC CHARACTERISTICS:	DEMOGRAPHIC CHARACTERISTICS:	SOCIO-ECONOMIC CHARACTERISTICS:	PSYCHOGRAPHIC CHARACTERISTICS:
1. PLACE OF RESIDENCE 2. REGION 3. URBAN-SUBURBAN-RURAL 4. SIZE OF TOWN/CITY 5. CLIMATIC ZONE	1. SEX 2. AGE 3. MARITAL STATUS 4. FAMILY SIZE	1. INCOME 2. OCCUPATION 3. EDUCATION 4. RELIGION 5. CULTURE 6. SOCIAL CLASS	1. PERSONALITY 2. LIFE STYLES

6.1 PEOPLE-ORIENTED APPROACH

1. Geographic Location and Mobility

2. Demographic and Socio-economic Characteristics

- a. Gender & Age
- b. Family Life-Cycle
- c. Social Class
- c. Religion, Race & Culture

3. Psychographic Characteristics

- a. Personality
- b. Life-Styles

6.2 PRODUCT-ORIENTED APPROACH

1. Use Pattern	2. Benefits Pattern	3. Brand/Store Loyalty

Example: *Air Deccan came out with a very low air fare to attract non fliers like rail passengers.*

Example: *Babool toothpaste is for price-conscious consumers.*

Example: *In rural areas, shop loyalty is high since shop keeper extends credit to his customers.*

7. MARKET SEGMENTATION STRATEGIES

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1. Undifferentiated Marketing	• Marketer may not prefer the idea of market segmentation and differentiated marketing. • ***Examples:*** *Undifferentiated, mass marketing of namkeens, biscuits and local soft drinks.*
2. Differentiated Marketing	• An organisation, under differentiated marketing strategy, enters many marketing segments but has a unique marketing-mix appropriate for each segment. • ***Example:*** *Hindustan Lever has one brand of bath soap for each market segment.*
3. Concentrated Marketing	• A firm may decide to concentrate all available resources on one chosen segment within the total market. It selects a market area where there is no strong competition and it can do best in that area. • **Example:** *Rolex watch company concentrated only on quality and high-priced watches.*

8. PRODUCT POSITIONING

- **Elements of Positioning**: There are four variables that affect the positioning of a product in the market.

a. Product	b. Company
c. Competition	d. Consumers
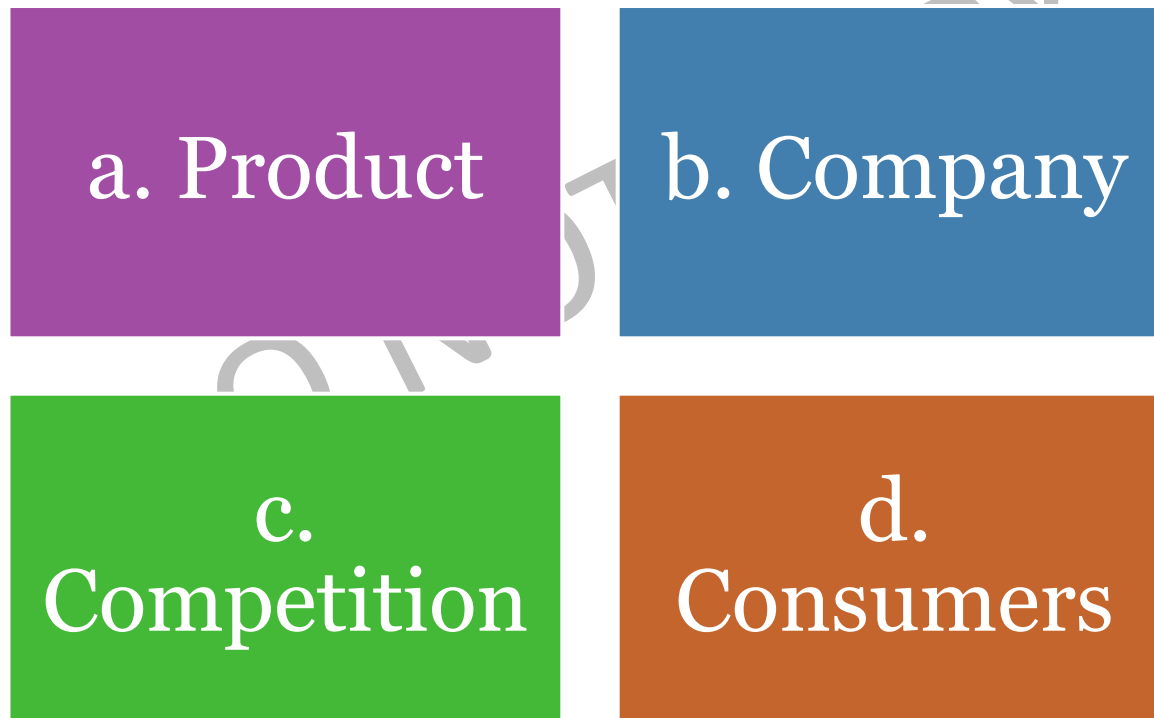
8.1 IMPORTANT STEPS IN PRODUCT POSITIONING

1. Find out competitive differences.

    (a) Product differences, (b) Service differences, (c) Differences such as image of the producer and Brand equity.

2. Select major differences.

    (a) Product benefits, (b) Warranty, (c) Prices, (d) Packings. (3)

3. Develop positioning strategy: Positioning by price, benefits, competition, *etc*.

4. Communicate the product positioning through appropriate media and methods. *Example: Pepsi sponsoring cricket matches.*

5. Follow up: Assess the impact of the positioning through brand awareness, sales, *etc*.

8.2 EXAMPLES OF POSITIONING STRATEGIES

1) **Product features:** *(a) Fuel efficiency feature of Hero Honda bikes, (b) Complan is positioned as health builder.*

2) **Price and Quality:** *(a) High power Surf, Washes whitest, (b) Good jeans for less — New Port Jeans.*

3) **Use of Celebrities:** *TVS Victor motor cycle endorsed by Sachin Tendulkar.*

4) **Products benefits:** *Two-minute positioning of Maggie Noodles.*

5) **User Category:** *Famous models are used to influence the people. Lux soap campaign based on "Beauty soap of film stars."*

6) **Cultural Symbols:** *American Cowboy and Marlboro Cigarettes.*

7) **Status Symbol:** *Rolls Royces (luxury cars)*

9. SEGMENTATION OF INDUSTRIAL MARKET

1. Demographic factors

2. Operating factors

3. Purchase policies

4. Situational factors

5. Personal factors

- THANKS