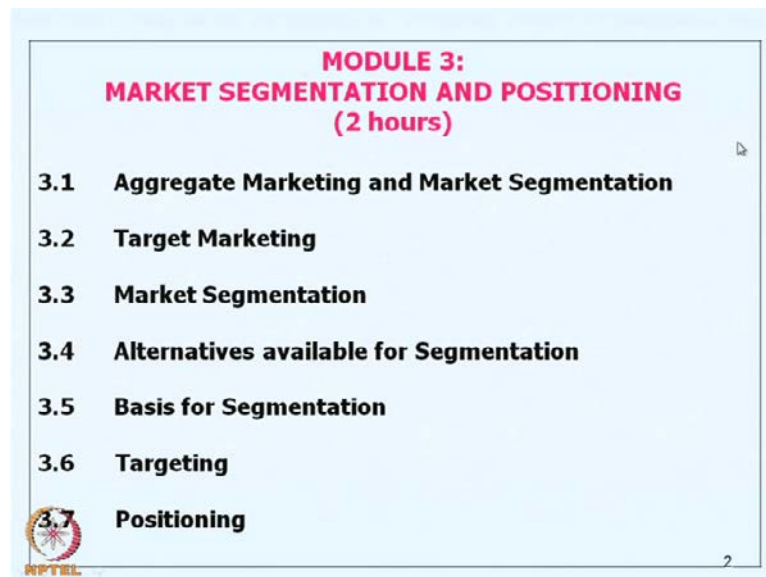


Consumer Behaviour
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Lecture - 5
Market Segmentation and Positioning

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MODULE 3:
MARKET SEGMENTATION AND POSITIONING
(2 hours)

- 3.1 Aggregate Marketing and Market Segmentation**
- 3.2 Target Marketing**
- 3.3 Market Segmentation**
- 3.4 Alternatives available for Segmentation**
- 3.5 Basis for Segmentation**
- 3.6 Targeting**
- 3.7 Positioning**

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Today, we will begin with the third module on consumer behaviour; and we shall, which is market segmentation and positioning. This is the third module in this particular course, which we shall be covering in a total of two hours or two sessions. We shall be speaking about aggregate marketing and market segmentation, target marketing, market segmentation, alternatives available for segmentation, basis for segmentation, targeting and positioning.

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In this first hour of this module, we will be discussing aggregate marketing and market segmentation, target marketing, market segmentation, alternatives available for segmentation and the basis for segmentation. So, let us start here with the first topic which is aggregate marketing and market segmentation.

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Now the traditional way or the earlier way of doing business was mass marketing or it is also called mass aggregation, where the consumers were offered a standardized product; the entire customers or the entire consumers or the entire market was offered one single


standardised offering by the marketer. However, as time grew, it was realised that customers are unique in themselves, they have different needs and they have different wants, they have different preferences, they come from different backgrounds, they have different you know characteristics in terms of descriptives or you know like geographical or demographic or the they have different characteristics in terms of cacographic, different kinds of social inferences that influence them that they operate different kinds of environments.

So, it was realised that you can marketers will not be or could not be able to satisfy the consumers with the same products and the same market offering. This led to the concept of target marketing or what is called the STP or segmentation targeting and positioning. Market aggregation then gave way to market segmentation and of course, finally today segmentation is giving way to another form which is customisation or customization.

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3.1 Aggregate Marketing & Market Segmentation:

The marketer could either opt for aggregate marketing wherein he could treat the entire population as a single segment, or he could go in for a market segmentation wherein he would identify groups of like minded customers who were similar on one or more base(s) and cater to one or more of such segment(s).



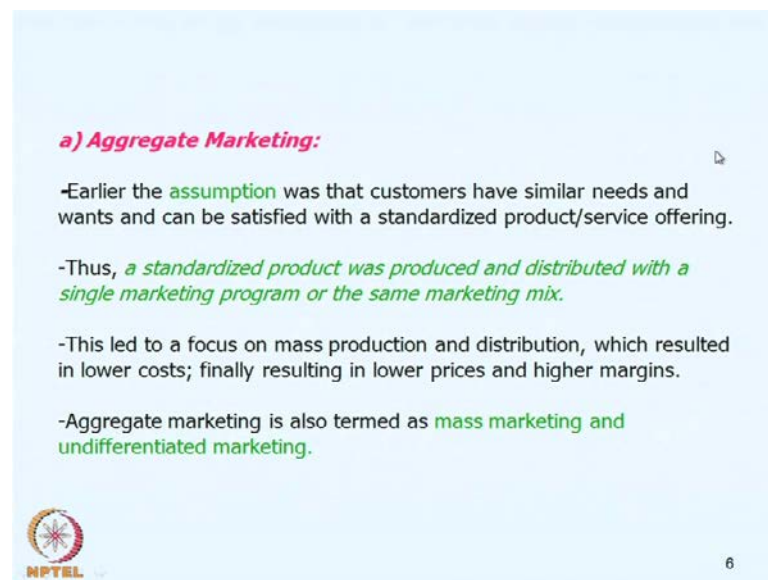
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So, let us speak little bit about the aggregate marketing and market segmentation. Now the marketer as such could opt for either of the strategies, he could go in for aggregate marketing, where he would treat the entire population of the single segment and or he could actually go in for market segmentation, where he identifies like minded groups of consumers, who are similar on one or more basis or criteria, and then cater to this segments in a unique manner, you know with the presumption that, people who are like minded and people who are homogenous with in a segment, will respond to the product

or service offering in a similar manner. They are also going to respond to the four pieces in a similar manner.


So, the choice here was either to go one size fits all you know approach, where you produce a single product or a manufacturer product and sell it to the entire universe or the entire population; or you they go in for you know some level of you know go in for segmentation, and then you know come device a four piece as per the needs and wants of those whose who comprise their particular segment.

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a) Aggregate Marketing:

- Earlier the **assumption** was that customers have similar needs and wants and can be satisfied with a standardized product/service offering.
- Thus, *a standardized product was produced and distributed with a single marketing program or the same marketing mix.*
- This led to a focus on mass production and distribution, which resulted in lower costs; finally resulting in lower prices and higher margins.
- Aggregate marketing is also termed as **mass marketing and undifferentiated marketing.**

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Market aggregation was in fact or aggregate marketing was where a standardized product was produced, distributed with a single marketing program or the same marketing mix. Assumption was that consumers have similar needs and wants, and they can be satisfied with the standardised offering. So, working on an assumption where customers have similar, and they can be offered a particular product you know they could have satisfy with the standardised offering.

So, a standardised product was produced and distributed with a same marketing program or with the same four piece. And what it actually led to was a focus on mass production, mass distribution leading to lower costs, higher profit margins and you know something which is beneficial to the market with consumers, because it meant lower prices and it was also beneficial to the marketer in terms of higher profits, because its cost of

production went down due to mass production and mass distribution. Aggregate marketing also came to be known as mass marketing or undifferentiated marketing.

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b) Market Segmentation:

- The **assumption** underlying market segmentation is that customers are unique. They have different needs, wants and preferences.
- There do exist diverse customer groups homogenous on certain bases within, but heterogeneous among each other.*
- So, instead of a single standardized product offering, the product and service offerings need to be designed according to the needs and wants of the segment so as to satisfy them better.
- The **marketer's assumption** is that because of the homogeneity that exists within the members of the group, they would react similarly towards a product and service offering and behave likewise to a corresponding marketing program.



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However, it was realised later that this wont not work you know, there exists diverse customer groups, they are homogenous within, heterogeneous amongst each other, outs amongst these various groups. So, the assumption here for marketing segmentation was that customers are unique in themselves, and they have different needs and different wants, different preferences, there exists in the market likeminded clusters of individuals who are homogenous within such groups, heterogeneous to outside groups. And so instead of offering a single standardised offering to the whole of them, it was important that product and service offerings are designed as per the needs and wants of a particular segment; and such needs and wants are you know, satisfied through appropriate marketing mixes or appropriate blend of four piece.

So, the marketers assumptions was because of this homogeneity that existed amongst these consumers in a particular group, they would react similarly or in a like minded manner with respect to a product or service offering that the market would have to offer. So, working with this assumption that customers are unique, working with this assumption that one size fits all does not work. Also with this presumption that because you know, consumers are like minded, they would behave in a similar fashion towards a product or services offering or towards a four piece. Marketers moved ahead, and went

in moved ahead and you know, adopted this particular concept of target marketing and work I mean, moved further with STP or segmentation targeting and positioning.

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3.2 Target Marketing:

Target marketing or STP i.e., Segmentation, Targeting and Positioning involves a major exercise for a marketer to start with.

- Segmentation** involves identifying distinct groups of buyers who are homogenous within but heterogeneous between each other.
- Targeting** involves evaluating the viability of each segment, and then selecting one or few market segment (s) to serve better and in a superior way.
- Positioning** involves creating an image in the minds of the target market about the product and service offering; this image should relate to the need/want as well as portray uniqueness and/or superiority than other competitive offerings.



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So, let us now come to target marketing. Target marketing or segmentation, targeting and positioning, the STP involves the major exercise for a marketer. So, you know, he has to do three things; first is he has to identify distinct groups of buyers. Now, these distinct group of buyers would be such that they will be homogenous within the group, and they will be heterogeneous outside. Heterogeneous outside means, heterogeneous amongst groups, but within the groups, the customers want to be similar on certain basis or on certain criteria. So, the first task for the marketer was to identify such like minded clusters of individual or to identify such segment.

Second was to go in for targeting; once he is identified the various segments, it was also important for him to evaluate the viability of a segment, and then target one or two or few of them. It is not possible for any and all marketer to basically satisfy any and all of the segments, generally all marketers start small, they move segment by segment, we call it segment by segment invasion. So, they move in, they in target a particular segment, establish themselves, you know stable stabilise themselves in that particular segment, proves themselves in that particular segment, then they move to the other and so forth.

So, the targeting exercise here involves selecting one or two of the segments to basically cater to. Now, which are the two segments, one or two or three or which is de segment

which a marketer would actually target, would depend upon the viability of the segment. So, targeting basically involves assessing or evaluating the viability of the segment, so as to choose that particular segment, which will give you maximum returns, and you know as a marketer it is important that you identify the most viable segment for your own benefit as well as for the you know, profit, and also satisfy the customer in a better in a more super superior manner.

The third exercise is in terms of positioning; positioning is actually creating an image of the product or service offering in the minds of the target segment; such that the person or the segment begins to identify themselves or their needs with that particular product offering or with the particular brand. It makes them feel, yes the product is for me? No the product is not for me. So, creating an image in the minds of the target market about the product of service basically is the act of positioning.

This image which is created, you know that the image that you create in the minds of the consumers could relate to the you know the, either the need or the want, as well as the uniqueness of the product or the superiority of the product over other product or other competitors. So, this image could relate to either the need and want; so in a way, it is going to you know, it manifest itself in satisfaction of a need through a benefit or through a feature or through an attribute. So, here you know, what the market has to do is, try and show to the customer, how well his product benefits the, and helps him satisfy the need or a want, and how better offer the various feature and attributes help him to meet a particular need or a want.

So, it could either be in terms of saying yes, my product helps you do this, my product helps you fight cavities, my toothpaste helps you prevent bad breath. So, it could be either in terms of addressing a need or a benefit, or this positioning could happen by saying how unique you are from the others, how superior you are from other players in the market. So, any and all through these means basically it trying show you how better you are in the competitor, or how unique you are in the competitor or how much, how you will be able to address a particular need of the customer, and any on all of these way you are going to be able to position yourself in the customers mind, create an image of yourself in the customers mind.

Now what are the benefits of target marketing? Target marketing basically has few benefits; first it is not possible for you to basically be able to cater to the needs and wants and the preferences of the entire market. So, the marketer, market marketer basically attempts to identify a few segments, and designs its marketing mix accordingly so as to be able to satisfy the segment better, more better, much better and most of period way than other competitors were doing so. So, you know segmentation targeting basically helps you identify viable segments, and then create or devise your four piece in a manner, which satisfies the consumer in the best possible manner, it helps him meet his needs in the in a better way.

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3.3 Market Segmentation:

Definition of a Market segment:

- a group of customers who are similar to each other on certain bases; they are expected to behave in a similar manner towards a product and service offering and towards a single marketing program.

Market segmentation is the process of identifying distinct groups and or sub groups of customers in the market, who have distinct needs, characteristics, preferences and/or behaviours, and require separate product and service offerings and corresponding marketing mixes.

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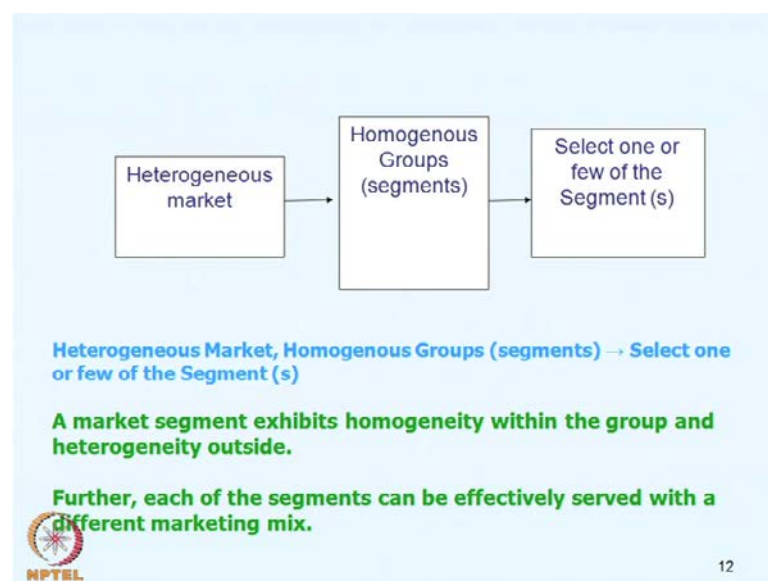
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Now let us come to market segmentation. What is market segmentation? Let us first define a market segment. A group of customers, who are similar to each other on certain bases; a group of customers, who are similar to each other on certain bases; now they expected to behave in a similar manner towards a product and service offering, and towards a single marketing program. So, we speak of a segment in terms of customers similar to each other on certain criteria, and expected to behave in a similar manner towards a particular product or services offering or towards a particular marketing program. So, this is what we mean by segments. And market segments basically is characteristic of homogeneity within the segment and heterogeneity outside.

Now what is market segmentation then? It is a process of identifying distinct groups and or sub groups of customers in the market who have distinct needs, characteristics, preferences and or behaviours and require separate product and service offering and corresponding marketing mixes. So, here we speak of the process, market segmentation is the process of identifying distinct groups or sub groups of the customers in the market, who have distinct needs, different preferences, distinct characteristics, and they require different kinds of product and services offerings and different kinds of marketing mixes.

Now remember always you know, it is very important to understand one thing that the marketers task is to identify segments; segments pre exists a marketer, marketers do not create segments; segments pre-exists a marketer and the marketers job basically is to identify the segments. He would identify segments, and then he would choose the most lucrative, and the most profitable of them all. So, he has to first identify segments, choose the best or the most lucrative of them, then design four piece or his marketing program in a manner, which will be most effective with that particular segment. So, marketers basically witness heterogeneous market, and within this heterogeneity the loop for some level of homogeneity via these segments. So, there is a heterogenic market with varying customers with varying needs varying marketing preferences, and then you have homogeneity in the form of segments or identification of segments.

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So, here if we speak of this further, we say that the marketer here has is heterogeneous, you know it is a heterogeneous market, and within the heterogeneous market, the marketer looks for homogeneity. So, you know the markets he looks for segments, he identifies segments, and he selects one or few of them. So, market segment exhibits homogeneity within the group and heterogeneity outside. Also the different segments can be effectively served with different marketing mixes. So, you have to understand that as a marketer, you to identifies segments, choose the best possible or the most lucrative of them all, and then device your four piece in a manner which satisfies the segment most beautifully. In fact, he a marketer always witnesses heterogeneity; it is a huge universe, it is a huge population, and he witnesses heterogeneity, it is through segments that he actually identify some level of homogeneity. And then he identifies segments which he has to cater to, he designs his four piece or his marketing mix accordingly and moves on with his marketing strategy.

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Segmentation could take place for both Consumer markets as well as for Business markets.

Consumer Markets:

- A Consumer Markets is defined as an end user market; the product and service offering is bought by the consumer for his personal use.
- This is also called Business to Consumer market, or B2C market.
- Examples: i) Bread is bought for end consumption and usage. (ii) Ceiling fan.

Business Markets:

- A Business Markets is defined as a market that buys, transforms/processes and sells further, either for further transformation/processing or, for consumer use.
- This is also called a Business to Business market, or B2B market.
- Examples: i) Wheat is bought by a baker from the farmer (B2B). He transforms it into bread. ii) Copper wires are bought by an electronic company which uses these in the manufacture of ceiling fans.

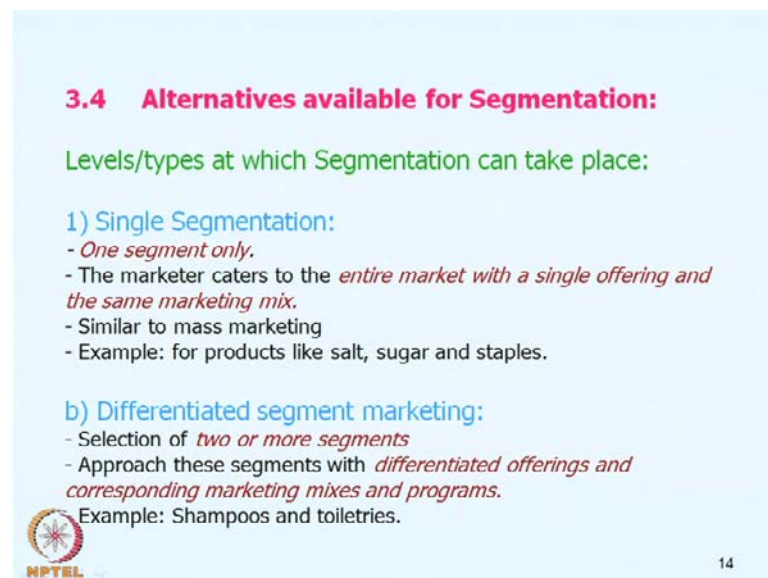
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Now segmentation can take place, segmentation can take place for both B2B and B2C markets. So, when we speak of consumer markets, consumer market has been defined earlier as end user market where the product is brought by the consumers for his end use; example is for example, bread been brought for end consumption and use, or a ceiling fan been purchased to be installed at your home. On the other hand, the business markets which are defined as market switcher, which buys transforms processors assembles and

self further for further transformation, further processing or for further consumer personal use.

So, here when we talk of a business market, we are essentially speaking of B2B; and the same example if we speak of bread; when bread is brought for end consumption and usage, it is B2C; but a wheat is bought by a baker from the farmer, so it is B2B, he transforms it in to bread. On the other hand, copper wires, motors are bought by electronic companies, which then use them and assembly and manufacture ceiling fans, so it is a B2B. So, in both B2C and to B2B, both cases or both scenarios, both consumer markets and business markets, segmentations will always take place and will always benefits both kinds of markets.

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3.4 Alternatives available for Segmentation:


Levels/types at which Segmentation can take place:

1) Single Segmentation:

- *One segment only.*
- The marketer caters to the *entire market with a single offering and the same marketing mix.*
- Similar to mass marketing
- Example: for products like salt, sugar and staples.

b) Differentiated segment marketing:

- Selection of *two or more segments*
- Approach these segments with *differentiated offerings and corresponding marketing mixes and programs.*
- Example: Shampoos and toiletries.

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Now, let us discuss now the alternatives available for segmentations. So, when you speak of a segment, the different levels or the different types at which segmentation can take place. The first is single segmentation, where the marketer decides to treat the entire market as a one segment, the entire universe as one segment, the entire you know population as one segment. So, he caters to the entire market with a single offering with the single marketing mix. So, in a way what we are talking of something very similar to mass marketing. So, when we speak of staples, when we speak of sugar or when we speak of salt, we actually talking about single segmentation; you treat the entire

marketing entire market with a single offering, as a single you know a market and you offer him an single offering.

Of course, today with high level of you know differentiation taking place, you know you find different kinds of salts also. So, salt you know today is moving further like you have salt which is low iodine salt or salt which is you know some sodium and potassium and things like that. So, over there if you see you know different kinds of salts are also available in the market, so that we will not consider here. But if we take general salts which is for everybody in the market, all staples, all sugar we actually speaking about single segmentation.

Another form of segmentation which can take place is differentiated segment marketing, where the marketer decides to basically you know, select two or more segments, and he offers differentiated offerings, he comes up with differentiated products or service offerings, different mixes, marketing mixes for the two of the segments or three of the segments. So, if we speak about you know, if we take the example of soaps, shampoos and other toiletries, basically we are speaking about differentiated market segment marketing, where the companies basically select two or more segments, and offer the same soap as a product under two different brands priced differently, you may have a soap for 32 rupees or you may have soap for 12 rupees. So, here different segments, different products, different brands you know we speak of them as differentiated segment marketing.

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c) Concentrated marketing:

- The marketer *caters to just one segment although the product could appeal to others.*
- This is generally a sub-group within the whole segment.
- The process includes targeting a small segment with a specialized mix meant only for that segment.
- Also called *focused or niche* marketing
- Example: Sports channels on TV; Religious channels on TV


d) Micro-marketing:

i) Local marketing:

- The marketer caters to local customer groups
- Example: movies dubbed in vernaculars.

ii) Individual marketing

- The marketers caters to the *customer individual* and personalize the marketing mix.
- The segment comprises one individual; So it is individual to individual marketing.
- Also called *customization.*
- Example: Holiday packages



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There is also something called concentrated marketing. Now here in concentrated marketing, the marketer decides to cater to only a small segment; although the product or service may appeal to others as well. So, what is he doing is, he is focusing on a small segment, and that is why concentrated marketing is also called niche marketing, it is also called focused marketing. Example for example, you have sports channels on TV or religious channels on TV, they basically focus on concentrated marketing. Limited audience which was interested in watching sports or limited audience who were interested in watching you know kind of some kind of ceremonies or meditation or Bajans. So, this is our what we have another form of segmentation which is concentrated marketing.


The fourth level of segmentation is micro marketing. So, micro marketing may be further manifest itself in two form; local marketing and individual marketing. Local marketing the marketer caters to the interest of local customer groups. So, if movies like titanic and spider man are dubbed in Bhojpuri, we actually talking of local marketing, movies dubbed in vernaculars. Similarly individual marketing is also a kind of micro marketing, where the marketer treats a customer as an individual, and he personalizes his marketing mix you know so it is high level of customization. The segment actually comprises only one percent, so you have expensive interior designers or jewellery designers or fashion designers or you have you know, tour and travel companies, who actually customise travel tour and travel packages for you or holiday packages for you. So, this is where we

speaking about the level of customisation, where each person is treated as a segment and the product or service offering is tailored to meet his or her own needs.

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Alternatives available for Segmentation

No.	Type	Meaning	Example
1	Segments	Large groups of people similar to each other on certain criterion	Tata group of hotels: Taj Hotels vs. Ginger (Premium vs. Economy)
2	Niches	Very narrow in nature	-Asha, Sanskar TV channels cater to a group of people interested in religion and spirituality; -Fashion designers (Manish Malhotra, Rohit Bal) cater to a very small segment;
4	Individual	One to one marketing: Customization	-Dell, Amazon customize their offerings as per individual desires. -Fashion designers (Manish Malhotra, Rohit Bal) cater to celebrities.



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Now if you see here we will just speak of the levels and the types of segmentation. Let us take segments here; segments are large groups of people similar to each other on certain criteria. So, you have segments like Tata group of hotels for example, they have two segments, the premium versus the economy; so you have the Taj hotels versus the ginger hotels. So the same group, Tata group caters to two segments; the premium segment and the economy segment; Taj hotels for the premium segment, and the ginger for the economy segment. Then you have niches, which have segments, which have very narrow very you know specific in, very narrow in nature like you have Asha and Sanskar TV channels to cater to a group of people, who are interested in spirituality or who are interested in religion or you have fashion designers like Rohit bal and Manish Malhotra who cater to a very small segment of celebrities. So, this is in terms of niches.

One to one marketing or customizations is when we speak of segmentation at the individual level; dell Amazon they customize their offerings as per individual desires; even fashion designers for example, cater to celebrities one one to one basis; so, this is in terms of individual marketing. Now let us come to a something very important and very relevant to us now for the remaining part of the lecture, which is we will speak about the

basis of segmenting markets. So, we will start with segmentation of consumer markets, and then we will move on to segmentation of business markets.

So now, when we have to see, I just explained when market has to identify like minded clusters of individual, who are similar on a certain basis. Now what is this basis or what is this criteria? Now broadly speaking we can divide we could divide these criteria in to two categories; descriptive variables and behavioural variables. Descriptive variables basically comprise demography, geography and customer psychographics; on the other hand behavioural variable basically speak of you know, which are most specific to day to day consumption like consumer awareness, consumer loyalty, consumer usage rate.

So now, we will discuss both descriptive and behavioural characteristics right now with the help of a table. But please remember that none of these variables are used in soul for segmentation; they are always be a hybrid. So, there will always be a combination between descriptive and behavioural, or may be between descriptive, you know there may be a you know combination between demography and psychography; there may be a combination between demography and behavioural considerations. So, there is always a hybrid that happens; you will never find a case where you know if the market is segmented on just one basis, because the overlap will always be there.

In case, so when you are identifying segments, you will find an overlap in characteristics. So, commonly used approaches for segmentation are hybrid appro or hybrid approaches as we call them may be in the form of psychographic or demographic or geography and demography. So, we call it geodography, geodemographic or it may be in the form of vales, which is value and lifestyle. So, these are commonly used approaches to identify market segments. As I said these, while the two broad categories are in terms of demographic characteristics sorry in the form of descriptive characteristics and behavioural consideration, we will find an overlap between the all of them, and the commonly used overlaps are geodemographic or psychographic demographic or the vales.

Now let us study each of these various considerations you know or these criteria whether it is a behavioural consideration or it is descriptive consideration. So, we will speak of these variables in the, or these considerations in a few minutes from now.

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Demographic Variables		
Variable	Meaning	
Demographic	Identifying segments on the basis of any of the following bases	
	Bases	Example
	i) age	-Infants, Kids 3-5, 8-12 Teenagers, Adults (Example: Clothes, Toys)
	ii) gender	-Men, Women (Example: Clothes, Cosmetics)
	iii) income	->50000, 50000-1 lac, 1-2 lac, 2-5lac, <5 lakh (Example: Cars)
	iv) education	-High School, Intermediate, Graduation, Post-graduation
	v) occupation	-Blue collared, White collared; Business, Professional (Example: Airline tickets: Business, Economy class)
	vi) family size	-Single, Couple, Couple and 2 kids, < 4, < 6 (Example: Large and small packaging: Foods)
	vii) family life cycle	- Single, Married, Full Nest I, Full Nest II, Empty Nest I, Empty Nest II, Solitary (Example: Large and small packaging: Foods; Insurance)
	viii) generation	- Generation X (born between 1965-76), Generation Y (born between 1983-2003) (Example: Music and Film CDs and DVDs)
	ix) Social class	-Upper class, Middle class, Lower class (Example: Cars, Hotels)
	x) religion	-Hindus, Muslims, Christians, Sikhs (Example :foods: Halal)
	xi) nationality	-Indians, Nepalese, Sri Lankans, Pakistanis
	xii) culture	- North Indian, South Indian
xiii) sub-culture	- Tamilian, Keralite, Carnatic, Telegu (Example: Food by Sagar rathna)	

Let us start with demographic variables. Demographic variables you know as a part of descriptive; I just told u descriptive characteristics include demography, geography and psychography. So, let us first start with the demographic variables. When you identify the segments on the basis of any one of the following basis, you are basically using a demographic variable for segmentation. See identifying segments on the basis of either age or gender or income or education or occupation, family size, family life cycle, generation, social class, religion, nationality, culture, sub culture; in any and all of these you are basically using demographic variables to identify market segments; for example, age. So, you can identify segments on the bases of age as infants kids 3 to 5, 8 to 12, teenagers and adults on the bases of you can classify the segments, you can classify the market as infants, kids, you know identify such segments; it is a infant segments for infants, kids, Teen, adults, teenagers and so forth like.

For example, manufactures of cloths, an apparel wear, they identify segments on the bases of age they have cloths for children 0 to 3 years, 3 to 8 years, 8 to 12 years, 12 to 18 years, 18 and above or it is toys like fun school or leo, they have you know, they have a toy of fisher prise, they have toys which offer 0 to 3 months, 3 to 6 months or 6 months to 1 year, 1 to 3 years 3 to 8 years 8 years and above. So, this is age is used as a as a seg as a basis for segment identifying segments in the B2C or the business to consumer market.

Similarly the market segments may be identified on the basis of gender, where you classify the segment and to male and female or man and woman. So, you know you have, you know manufactures of cloths of cosmetics of toiletries basically identify segments on the basis of gender. Segments are also identified on the basis of income levels you know so, less than 50000 or 50000 to 1 lakh or 1 lakh to 3 lakhs 3 lakhs to 5 lakhs or 5 lakh and above or 15 lakh and above for example, manufactures of cars, they identify segments on the basis of income level of people.

Education can also be used as a basis of classification where we classify you know classification where we actually identify classes in the form of people, who are high school pass or intermediate or graduate or under grad you know post graduate or you know. Occupation is also used as a bases for identifying segments as blue coloured workers or white coloured workers or business people or professionals you know, you know com airline companies for example, they identify segments in the form of business and professionals. So, they have the they provide for a two kinds of services; one for the economy class and other for the business class. So, this is a way how they differentiate between professionals and non professionals.

Family size may also be used as a basis for segmentation you know for example, are you single, are you couple or couple with two kids and are you a kids, you know are you something more size of the families larger than 4 or larger than 6 or this has simplifications for large and small packaging for example, foods. So, you know family size will tell you whether what should be the ideal, you know packaging size should depending upon the you know the size of the family and the majority of the segment falling into that segment of just single or just couple or just couple with two kids, you will be able to identify and decide what is the part of the market which needs large packs or which is the part of the market which needs small packs.

Family life cycle is also used as a basis for identifying segments, we shall be talking about family life cycle later, but just to be very brief here, family life cycle basically tells you about the various phases or the various stages through which a family passes right from when a person is single and unmarried to when he gets married and has children to when his children leave home and to when he is left alone in the world you know either so this is this will be defined family life cycle in terms of single, married, full nest one, full nest two, full nest empty nest one, empty nest two, solitary. So, again you know for

example, companies in to insurance business or companies in to foods packaging, and again packaging of foods they would again have implications with respect to you know they identifying segments based on family life cycle.

Then another bases for identifying segments is in terms of generations. So, you know generation x for example born between 65 and 76 or generation y between 90 sorry 83 and 2003, this has you know implications for people in the music industry, people who are you know in to in to caste recorders, you know VCDs or DVDs or CDs. So, you know, there that is where you know people of what age group like to hear what kind of music, so that will have you know an impact on implication for such for the music industry. The social class can also be used as a bases for segmenting markets, identifying segments in the market you know, you identify you know, the society, you divide the society in to strata on the bases of income, income primarily income, also education and occupation; and you will be able to classify or stratify the society into lower class, upper class and middle class. So, you know when, when a manufactures of cars for example, you know identify segment based on social class; similarly hotels they also classify the identify segments on the bases of social classes.

Religion may also be used as a bases of identifying segments, while we speak about religion of course, as we all know you know the four major religions, you know Hindus, Muslims, Sikhs Christians, today and of course, Jews you know other you know sex are also there, but how does this have an implication for a marketer? Today this has a big implication specially if you see, you know all over the world you will if you see there is clearly demarcation between Hallal food and non Hallal food to you know basically respect the sentiments of people you and the religious sentiments. So, here clearly classify or the religious comes in customs, traditions, values, beliefs, So clearly its mark to know vegetarians and non vegetarians. So, this is how we basically identify segments whether the majority of a segment is a vegetarian or non vegetarian, and what kind of a you know kind of imp impacts could have, and a kind of cuisine you offer in your restaurant.

Nationality may also be used as a basis for identifying segment design this has implications for multinational companies, which decide to move across borders of their own country, and want to set up business or enterprises either manufacturing or marketing units in other countries. Culture is again used as a bases for identifying

segment, you will be realise very well there is a difference within the country, we have within the culture, we have sub culture. So, you have as in the country for example, north Indian or south Indian or east or west and within sub cultures, within south Indians themselves, you will have Tamilians and then Keralite and Karnatic and Telugu. So, you know different you know, same food you know same south Indian food tastes different in all these four states. So, this is similarly the kind of clothes they wear will be different in these four states; it is a kind of ceremonies they have will be different for cultures of people living in these four states. So, that is how all of these has an implication for a marketer, and he could identify segments on any or all of these basis for identifying a segments on demographic variables.

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Geographic Variables															
Variable	Meaning														
Geography	Identifying segments on the basis of geographical or territorial units														
	<table border="1"> <thead> <tr> <th>Bases</th> <th>Example</th> </tr> </thead> <tbody> <tr> <td>i) Location / Country</td> <td>Local/Domestic or International (Example: All MNCs)</td> </tr> <tr> <td>ii) Region</td> <td>North, West, South, East</td> </tr> <tr> <td>iii) State</td> <td>States within country (Example: National Cooperative development Council: NCDC: All State Cooperatives: Parag: UP, Sanchi: MP, Verka: Punjab, Vita: Haryana)</td> </tr> <tr> <td>iv) City/Metro density of population</td> <td>Urban Semi-urban, Rural (Example: Hospitals in Cities, Polyclinics and dispensaries in Villages: Apollo Hospital and Pharmacies)</td> </tr> <tr> <td>v) Climate</td> <td>Hot, Cold, Humid, Rainy (Example: Clothes: Woolen garments)</td> </tr> <tr> <td>vi) Terrain</td> <td>Hilly, Plain, Rocky (Example: Two wheelers and Motorbikes)</td> </tr> </tbody> </table>	Bases	Example	i) Location / Country	Local/Domestic or International (Example: All MNCs)	ii) Region	North, West, South, East	iii) State	States within country (Example: National Cooperative development Council: NCDC: All State Cooperatives: Parag: UP, Sanchi: MP, Verka: Punjab, Vita: Haryana)	iv) City/Metro density of population	Urban Semi-urban, Rural (Example: Hospitals in Cities, Polyclinics and dispensaries in Villages: Apollo Hospital and Pharmacies)	v) Climate	Hot, Cold, Humid, Rainy (Example: Clothes: Woolen garments)	vi) Terrain	Hilly, Plain, Rocky (Example: Two wheelers and Motorbikes)
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Now we come to identifying segments on the bases of geography. So, you can also identify segments on the bases of geographical or territorial units. When you identify segments on the bases of location or country or religion or state or city or climate or tenant, you basically identify segments on the basis of geography. So, you can see for example, when we talk of location or country so the segment can be a local market or a domestic market viz-viz the international market, this is a relevant for all multinational company. When we talk about religion, we divide the country into north, west, east and south and identify people living in these regions as a distinct segment. When we speak about the states, each and every state actually can be and people living in those states can be identified as different segments for example, the national corporative development

councillor the NCDC, its they were state corporative, you know all of them are primarily in to milk, but in up its Parag, in mp it is Sanchi, in Punjab it is Verka, and in Haryana it is vita.

So, here we see how the NCDC basically identify segments, and then establishes its manufacturing or milk you know fill plants in by these brands, by these names. You can also identify segments on the basis of the density of the population or on the basis of city could be urban versus semi urban or rural. So, you know for example, a hotel you know hospitals in cities, and poly clinics and dispensaries in villages, the same Apollo group has its hospitals, has its policlinic, depending upon whether it is a city or it is town whether it is an urban area or whether it is a rural area.

Similarly a climate a climate can also be used to identify, you know people living in a particular climates, hot, cold, rainy climate or humid. Again this has implications for those who are into apparel industry or like even for woollen garments. And then terrain may also be used for identifying segments, people in different terrains for example, the terrain could be plain or rocky or hilly or sandy so, you know the diff the same motorcycle for example, the two wheelers and motorcycles suited for each and every kind of terrain, they would be same Bajaj would probably offer motorcycle for travel on plain roads, another to travel on a hilly and rocky terrain. So, these are basically bases these are the various bases which are used to identify segments on the bases of geography.

So, similarly we also have bases for identifying segments and these are psychographic in nature; psychographic components we shall be discussing in detail in the course of this course. But let us just have a just mention of the various bases and discuss then very briefly.

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Variable	Psychographic Variables Meaning	
Psycho- graphics	Identifying segments on the basis of any of the following bases:	
	Bases	Example
	i) Needs and motivation	Benefits sought: Basic functional, Safety/security, Affection/Social need, Esteem/Status/ Sense of Self –worth (Example: Flats versus Posh villas and Penthouses)
	ii) Perception	Low risk, Moderate risk, High risk (Example: Innovators vs. laggards) Price oriented, Quality & value oriented (Example: Videocon TV vs. Sony) Aware or Unaware.
	iii) Personality	Innovative (High/Low); (Example: Innovators vs late adopters vs laggards) Dogmatic (High/Low); Need for Cognition (High/Low) Extrovert/Introvert (Inner-directed, Other-directed) Ethnocentrism (High/Low); (Example: Loyal to "Made in India" products) Novelty seeker (Exploratory, Vicarious, Deals and Bargains) (Example: people who buy from Sales and Discounts)
	iv) Attitude	Positive, Negative; Loyal to one or many products
	v) Involvement	Highly involved customers, Low involved customers
	vi) Lifestyle: Activities: Interests: Opinions:	AIO Work, Hobbies, Vacation, Shopping, Entertainment, Sports (Activity: A) Job, Home, Family, Fashion, Food and culinary, Recreation (Interests: I) Social, Political, Economy and business, Environment (Opinion: O) Examples: TV Channels (Star News, Star TV, Star Sports, Star Movies) Magazines (India Today Group: India Today, Business Today, Men '92) Health, Woman, Cosmopolitan)

When we talk about psychographic, we talking about say for example, need and motivation. So, you can identify your segment on the basis of need and motivation; or the benefit, need and motivation here implies what is it, what is the customers need and what is the benefit that he is seeking out. And what is this need, and what is this benefit which actually drives him in to action that drives him motivates him towards a purchase. So, a benefit sought may be a basic functional benefit or it could be in terms of safety and security, or in terms of social need or affection need or affiliation need or status esteem.

For example, the basic you know use, basic purpose of a house is to give you shelter that is a functional benefit, but people buy flats or they buy posh villas or they buy penthouses, each of the whether it is a flat, whether it is a posh villa or it is a penthouse it serving a different purpose all together. A flat may be a two bedroom flat, which just gives you a functional benefit of staying or keeping yourself safe from animals or from human beings or from you know the climate, but it could also be a five bedroom house actually also means status or it could be a you know posh villa or it could be a pent house., all of which actually denote esteem and self actualisation.

So, the benefit which actually desirem, what you seek is can also be used as a basis for identifying market segments. Perception may also be used as a basis for identifying segments; they are people who basically low on risk or high on risk or moderate on risk

similarly that is how we identify segments, people who you know who high on risk, low on risk, we call them as innovators they are ready to take risks as against laggards, who would not want to buy anything new further, because it is risky. Similarly people you know, who are price oriented or who are quality and value oriented so for example, a stripe contrast, you know a price oriented would probably go in for a TV, Videocon TV, and the a oriented go in for a Sony.

Personality is also used as a basis for identifying segments; people can high or low are innovativeness, high or low are dogmatism, they could be introverts and inner directed or they could be extrovert and could be other directed. So, there directed or extroverts would loop to social affiliation, they would loop to others; on the other hand inner directed would actually sets for themselves. Similarly ethnocentrism, high or low on ethnocentrism, people who are high on ethnocentrism means that they love their country, they love their country products, so they will be more loyal to made in India products. Then the others who are novelty seekers, who are deal prone, who will have to buy from sale some discounts, so it can also identify segments on the basis of segment exploratory or deal and bargain prone.

Attitude may also be used as a basis for identifying segment people has positive attitude, negative attitudes, they may be they may be loyal to one or more products, and involvement may also be based used as a bases, where people who are high involved, customer are low involved customer.

Lifestyle is also used as a basis of identifying segments; life style in the form of what we call AIO or activities interests opinion. So, work, hobbies, vacation, shopping, entertainment and sports, these are all activities; job, home, family, fashion, food and culinary, recreation, these are all interest; social, political, economy and business environment they are all opinion. So, you know all of these may be used to identify segments for example, the TV channels, star news, star TV, star sports, star movies, all of which are actually serving people with different activities interest and opinion. There are magazines India group, India today group like India today, India you know business today, woman, cosmopolitan, they basically serving people with different activities interest and opinion.

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Behavioral Variables		
Variable	Meaning	
Behavioral	Identifying segments on the basis of any of the following bases:	
	Bases	Example
	i) Consumer awareness	Unaware, Aware, Informed, Interested, Desiring/enthusiastic
	ii) Benefits sought/uses/ needs/ motivation	Basic functional, Safety/security, Affection/Social need, Esteem/Status/ Sense of Self –worth (Example: Cakes and pastries: Normal ones for snackers and Sugar free, for calorie conscious and diabetics; Toothpaste: Forhans for Gums; Peptosodent: Fight tooth decay; Close up: Prevent bad breath)
	iii) Buying occasions/ Purchase situations	Morning, Night (Example: now 24 hours) Weekday, Weekend (Example: Movies released on weekends) Occasions, Seasons (Examples: Greeting Cards: all occasions), Leisure, Urgency (Example: Mail post versus Courier Service)
	iv) Buying/usage frequency	Routine, Frequent, Seldom OR Routine, Emergency (Example: Calcium Tablet versus Band Aid)
	v) Buying readiness stage	Unaware, Aware, Informed, Interested, Desiring, Intending, Demanding, Buying
	vi) Loyalty status	Non-users, First time user, Regulars, Ex-users OR Hard-core loyals, Split loyals, Shifting loyals, Switchers
	vii) Usage rate	Heavy half; Light half OR Heavy, Medium, Light, Non-users
viii) Shopping orientation	Economic, Convenience and leisure, Status (Example: Economic: Deal prone and bargains: Small shops; Convenience and leisure: Departmental stores Status: Malls and Brands	

These were the various descriptive we have studied. Now let us come at the behavioural variables which are used to identify market segments; you know you can identify segments on the bases of consumer awareness as to whether the people who are unaware, they are aware, they are informed, they are interested or they are desiring. This is the implications for the marketer in terms of marketing communication; that means, whether his objective of communication or objective in promotion or his objective via advertisement should be to create awareness to create interest, to develop a desire or to elicit an action. So, you know consumer awareness may be used as a important bases for identifying segments.

The benefit sought, I have just discussed the benefit sought as a part of psychographic components also; another example which we can have here is example cakes and pastries you have normal ones for snackers and sugar free for the calorie conscious and for the diabetics. Similarly toothpaste, there is Forhans for gums, Peptosodent for tooth decay or there is close up to prevent bad breath. Buying occasions can also be used as a basis for identifying segments for example, you know morning or night or now twenty four hours, weekday or weekend, I mean though people buy weekdays or weekend. So, this is a relevance to the movie industry, all movies are released on weekends.

Similarly occasions and seasons the greeting cards for example, they have basically, they identify segments on the bases of occasions, on the bases of seasons, on the bases of you

know different festivals. Leisure and urgency may also be used as a basis you know you have implications here for the normal post versus the courier services or versus the speed post. Buying usage and frequency also have can be used as a basis for identifying segments for example, you know are you using a product in routine or you are using it frequent or you are using it you know emergency for example, calcium tablet versus a band aid; calcium tablet may be consumed on a routine bases, but a band aid would only be used in emergency.

Buying readiness stage, loyalty status and a usage rate; usage rate is in terms of our people, light users or heavy users, again this has implication for the packaging industry. And finally, shopping orientation of people; is it more economic in nature, is it convenient or is it status? So, economic means people would prefer deals and bargains, they will go to a smaller shops; convenience means that they would visit a departmental stores, and status means that they would prefer visiting malls and buying brands. So, this is how these are the bases, which can be used to identify segments in the B2C scenario.

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b) SEGMENTATION OF BUSINESS MARKETS:

- The bases for segmentation of business markets are as follows:
- i) Demographic:**
 - Type of **Industry**
 - **Size** of Company
 - **Technology** used
- ii) Geographic:**
 - **Location**
- iii) Purchasing approach and orientation:**
 - **Consumption and usage rate:** Order size, small or bulky
 - **Buying situations:** Straight rebuy, Modified rebuy, New-task
 - **Loyalty and partnerships**
 - Buying/transaction **orientation** (price-oriented); or, Consultative orientation (solution-oriented); or, Procurement orientation (quality oriented); or, Strategic value oriented.
 - **Purchasing criteria:** Price, Quality, Service

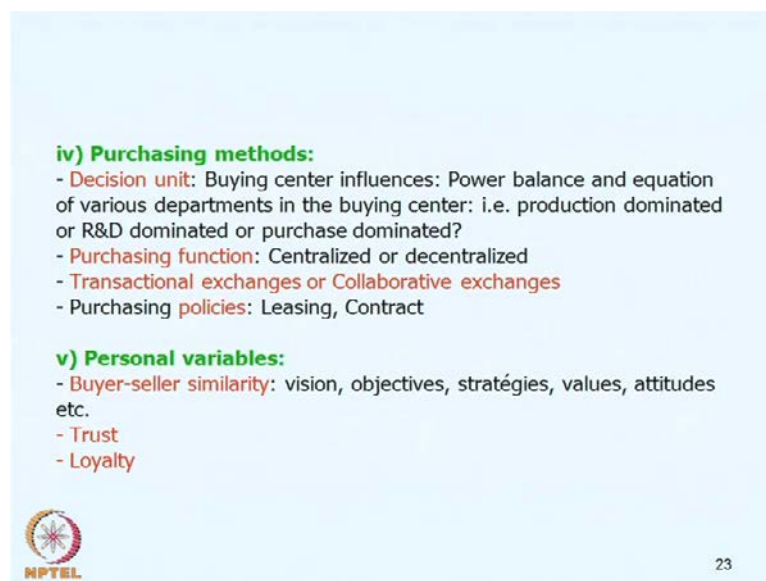
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Now let us come to segmenting in business markets. So, the bases for segmentation in business markets are also there are about five bases for segmenting business markets demography; that means, while I mean to B2B as a business to business buyers, as business to business seller, I would be concerned about the kind of industry I should be segmenting you know. So the segments, the industry could be segmented on the bases of

demography, on the bases of demography, I mean the type of industry, the size of the company the technology used or they could be identify you know segmented on the bases of geography, the location.

Business markets can also be segmented on the bases of purchasing approach and orientation. So, this would include consumption and usage rate should order sizes would be small or bulky. Buying situations should it be a straight re buy or a modified re buy or a new task; we shall be discussing these in the next sessions. Loyalty and partnerships, business orientation or transaction orientation, is it prise oriented or is it in the form of consultative orientation or solution oriented or is it procurement oriented or quality oriented or strategic value oriented or in terms of partner ships. So, these are you know another bases would be in terms of purchasing criteria do you know how do you identify segments also on the bases of purchasing criteria of your client or their quality conscious or their price conscious or they looking for services.

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iv) Purchasing methods:

- **Decision unit:** Buying center influences: Power balance and equation of various departments in the buying center: i.e. production dominated or R&D dominated or purchase dominated?
- **Purchasing function:** Centralized or decentralized
- **Transactional exchanges or Collaborative exchanges**
- **Purchasing policies:** Leasing, Contract

v) Personal variables:

- **Buyer-seller similarity:** vision, objectives, stratégies, values, attitudes etc.
- **Trust**
- **Loyalty**

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Two other bases which can be used to identify segments in B2B scenario are purchasing methods and personal variables. Purchasing methods are in terms of what does the buying centre in the organisation comprise of? What are the, who are the different representatives in the buying centre, what is the power balance, what is equation of different departments in the buying centre? How is the purchasing function? Is it centralized or is it the decentralised? Are they looking for transactional exchanges one


time or collaborative exchanges long time partnerships? And purchasing policies are they are on lease or they are on contract?

Finally, personal variables also have an important role to play in terms of you know how similar am I to the other people to my client. So, buyer seller similarity in terms of vision, strategies, orientations, attitudes etcetera, matters of trust, matters of loyalties, they all also are a part of personal variables, which may be used to identify segments. So, these are the various bases of segmenting business to business markets; we have also discussed the various bases for identifying business to consumer markets. This brings us an end to the session one of module three, which is market segmentation and positioning. But before we do that, let us have a look at the references and further reading, as well as a short quiz as we proceed.

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References for Further Reading:

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The various books which we refer to Kotler and Keller, marketing management Pearson, Loudon and Bitta, consumer behaviour Tata McGraw hill, peter and Olson consumer behavioural marketing strategy McGraw hill, Schiffman and Kanuk prentice hall consumer behaviour and again, and wells and Prensky consumer behaviour john Wiley.

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FAQs (Frequently asked Questions):

Ques 1 Define Market Segmentation.

Ques 2 Differentiate between the following:
a) Mass marketing and Segmentation
b) Concentrated Marketing (Niche) and Individual marketing

Ques 3 What are the various levels at which segmentation can take place?

Ques 4 What are the bases of Segmenting Consumer Markets?



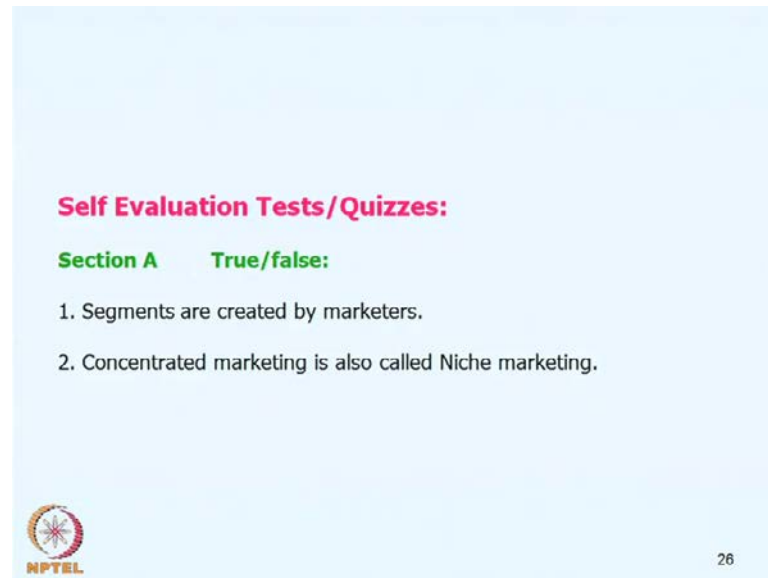
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Now, let us come to a few questions. So, the first question which is very frequently asked is, define market segmentations? So, is a process which involves identifying like minded clusters of individuals who are similar on certain bases, and similar to each other homogeneity within the segment, with in the class, within the group and heterogeneity outside. So, and then, this is what this is how we define market segmentation. And second question which we can have is, differentiate between the following? Mass marketing and segmentation; so what is mass marketing and what is, what is market segmentation? As we said mass marketing is in terms of aggregation marketing or you know undifferentiated marketing or mass marketing, where we speak of mass production, mass distribution one size fits all and same standardised offering being offered to the entire population. On the other hand we have segmentation where we speak of identifying likeminded clusters of individuals, and then providing them u know an offering product or service offering as per the need and wants of that segments.

What are the different levels at which segmentation can take place, where they can take place at the segment level or at the cons, you know select you know, concentrated segment level or it could be local area or it could be individualised or highly customised one to one bases of you know, at which segmentation can take place. What are the bases of segmenting consumer markets? Broadly speaking, two bases of segmenting consumer markets; descriptive variables and behavioural characters with variables. Descriptive characteristics include geography, demography and psychographic; and behavioural

variables include a larger member of bases like loyalty rate, usage rate, benefit sought awareness rate, stage of awareness etcetera. So, these are different questions which can be asked.


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Self Evaluation Tests/Quizzes:

Section A True/false:

1. Segments are created by marketers.
2. Concentrated marketing is also called Niche marketing.

 NPTEL


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Now let us come to a quiz the first question again we start with the true and false. So, segments are created by marketers. So, this is a statement is it true or false; well, it is absolutely false, marketers do not create segments, they pre exists the marketer, marketers only identifies segments. A second questions is concentrated marketing is also called niche marketing; this is a true statement; yes, concentrated marketing is also called focused marketing or niche marketing.

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Section B Multiple choice questions:

1. Which of the following is not a true statement?
 - a) Market aggregation gives way to Target marketing, finally giving way to Customization.
 - b) Segments pre-exist a marketer; they already exist
 - c) Niches are narrow in scope
 - d) All are true.
2. Which of the following is not a behavioral variable?
 - a) consumer awareness
 - b) benefits sought
 - c) buying occasions/purchase situations
 - d) AIO



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Multiple choice questions: Which of the following is not a true statement? Market aggregate aggregation gives way to target marketing finally, giving way to customization. Segments pre exist a marketer, they already exists; niches are narrow in scope or all of the above. So, yes all of them are true, they are all true, the various statements market aggregation does give way to target marketing and finally, giving way to customization, segments pre-exist a marketer, niches are narrow in scope and all of these statements are true. So, the answer is d.

Question number two, which of the following is not a behavioural variable? Consumer awareness, benefits sought, buying occasions and AIO. So yes, which is not a behavioural variable, it is AIO; AIO is a psychographic variable.

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Section C Fill up the blanks:

1. Target marketing comprises three constituents: Segmenting, _____ and Positioning.
2. When the marketer caters to the entire market with a single offering and the same marketing mix, it is known as _____ segmentation.
3. The bases for segmentation of consumer markets may be divided into two broad categories of variables. These are _____ and _____.




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Fill in the blanks: Target marketing comprises three constituents; segmenting and positioning; so it is targeting; target marketing comprises three constituents; segmenting, targeting and positioning. When the marketer caters to the entire market with a single offering and the same marketing mix, it is known as single segmentation. So, it is known as single segmentation. The two broad bases of segmenting consumer markets may be divided into two broad categories of variables, these are descriptive and behavioural.

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Section D Short answers:

1. Mention the levels/types at which segmentation can take place.
2. Mention any five demographic bases on which segmentation can take place.
3. Mention any five behavioral bases on which segmentation can take place.
4. Name any two kinds of hybrid segmentation.



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Short answers: Mention the levels or types at which segmentation can take place? Segmentation can take place at single segmentation, differentiated segmentation, concentrated segmentation or niche or micro marketing, which can either be local or individual. Mention any five demographic bases on which segmentation can take place? So, it could be age, gender, income, education, occupation, family size, family life cycle, generation, social class, religion, nationality, culture, sub culture and many of others.

Mention any five behavioural variables on which segmentation can take place? So, it could be consumer awareness, benefit sought, buying occasion, buying frequency, usage buy readiness stage, loyalty status, usage rate, shopping orientation etcetera. And finally, name any two kinds of hybrid segmentation? So, the two kinds of hybrid segmentation are psychographic or demographic, and geodemography which is geographic and demographic, and vales which is values and life styles.

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KEY

Section A True/false:
1. False 2. True

Section B Multiple choice questions:
1. d 2. d

Section C Fill up the blanks:
1. Targeting 2. Single 3. Demographical and Behavioral

Section D Short answers:
1. Single segmentation; Differentiated segmentation, Concentrated marketing (niche), Micro marketing (local, individual)
2. Demographic bases: age, gender, income, education, occupation, family size, family life cycle, generation, social class, religion, nationality, culture, sub-culture.
3. Behavioral bases: consumer awareness, benefits sought/uses/ needs/ motivation, buying occasions/purchase situations, buying/usage frequency, buying readiness stage, loyalty status, usage rate, shopping orientation
4. Psychographic/demographic; Geodemographics; VALS: Values and Lifestyles

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So, this brings us to the conclusion of the first session in module three. We shall continue with the next session on another day.

Thank you.