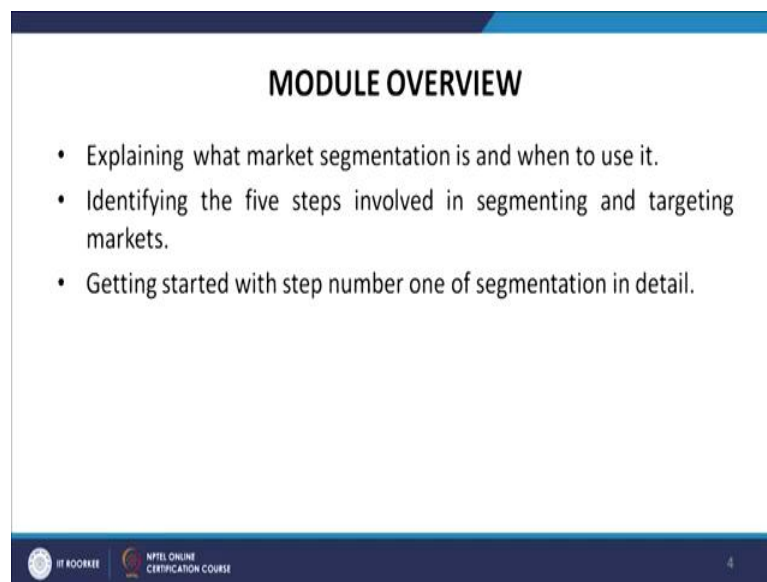


Introduction to Marketing Essentials
Prof. Zillur Rahman
Department of Management Studies
Indian Institute of Technology, Roorkee

Lecture – 16
Market Segmentation, Targeting, and Positioning – I

Welcome to this course on Introduction to Marketing Essentials. Now, we will talk about the second topic in part 3 that is, Market Segmentation, Targeting and Positioning. Now, these three things that that is market segmentation, targeting and positioning; they are spread over these 3 modules that is, module 16, 17 and 18. And now we will start with module 16. So, let us see what we will talk about in this module.

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MODULE OVERVIEW

- Explaining what market segmentation is and when to use it.
- Identifying the five steps involved in segmenting and targeting markets.
- Getting started with step number one of segmentation in detail.

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So, we will explain what marketing segmentation is and when it should be used. Then we will identify the five main steps involved in segmenting and targeting markets. And, then we will get started with a step number one of the segmentations in detail.

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INTRODUCTION

- A business firm segments its markets so it can respond more effectively to the wants of groups of potential buyers and thus increase its sales and profits.
- Not-for-profit organizations also segment the clients they serve to satisfy client needs more effectively while achieving the organization's goals.

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Now, look at a business firms; now look at a business firm it wants to segment its market. So, it can respond more effectively to the wants of groups of potential buyers and thus increase its sales and profits. Not-for-profit organizations also segment the client they serve to satisfy client needs more effectively while achieving the organization goals.

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WHAT MARKET SEGMENTATION MEANS

- **Market segmentation** involves aggregating prospective buyers into groups that:
 - 1- have common needs, and
 - 2- will respond similarly to a marketing action.
- **Market segments** are the relatively homogeneous groups of prospective buyers that result from the market segmentation process.
- Each market segment consists of people who are relatively similar to each other in terms of their consumption behavior.

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So, now let us start with what does this market segmentation means. So, market segmentation involves aggregating prospective buyers into groups; so, into categories

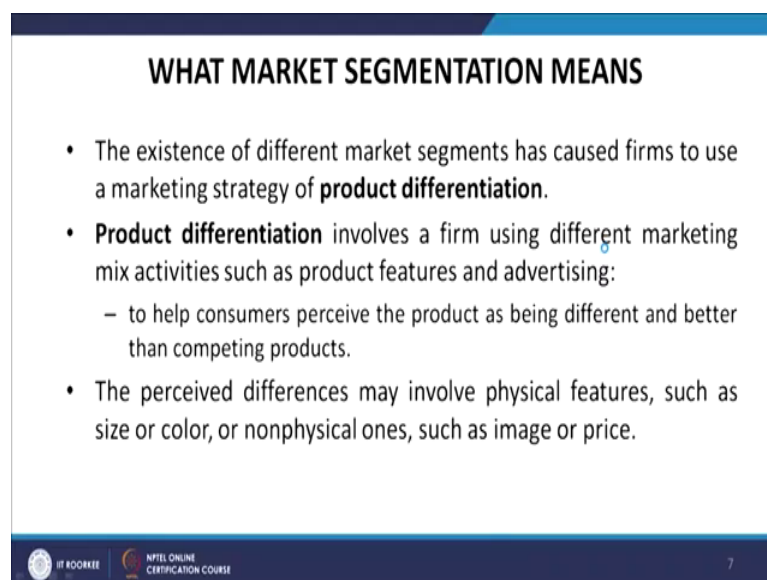
how? So, that they have some common needs and will respond similarly to a marketing action.

So, these are the two underlying, basis of segmenting aggregating prospective buyers into groups. One is that, we will look for whether they have the common needs and then, whether and will they respond similarly to a marketing action. So, market segments are the relatively homogeneous groups; group of people with the same need. So, these are homogeneous group; and on the basis of this these will have common needs and also, they will respond similarly.

So, market segments are relatively homogeneous groups of prospective buyers that result from the market segmentation process. Each market segment consists of people who are relatively similar to each other in terms of their consumption behavior. So, within this group that is why it is called as homogeneous group; within the group the people have people will have they will be similar.

So, within this group the prospective buyers are grouped; so that they have similar behavior. The existence of different market segments has caused firms to use a marketing strategy of product differentiation.

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WHAT MARKET SEGMENTATION MEANS

- The existence of different market segments has caused firms to use a marketing strategy of **product differentiation**.
- **Product differentiation** involves a firm using different marketing mix activities such as product features and advertising:
 - to help consumers perceive the product as being different and better than competing products.
- The perceived differences may involve physical features, such as size or color, or nonphysical ones, such as image or price.

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Now, because there are different market segments. So, what companies do is that they go about doing product differentiation. So, product differentiation involves a form using

different marketing mix activities such as product features and advertising. So, to help consumers perceive the product as being different and better than competing products.

The perceived difference may involve physical features, such as the size or color, or nonphysical one, such as the image or price. So, now you will have different products for different segments. So, the first assumption is that there are different segments, a segment is a group of people who have common needs and they respond similarly to the marketing actions.

Now, because there are different segments; so, companies they come up with different products for each segment they choose to target.

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SEGMENTATION: LINKING NEEDS TO ACTIONS

- The process of segmenting a market and selecting specific segments as targets is the link between the various buyers' needs and the organization's marketing program.
- **Market segmentation is only a means to an end**, it leads to tangible marketing actions that can increase sales and profitability.
- First, Market segmentation stresses the importance of grouping people or organizations in a market according to the similarity of their needs and the benefits they are looking for in making a purchase.

(Handwritten annotations: P1 and P2 in circles)

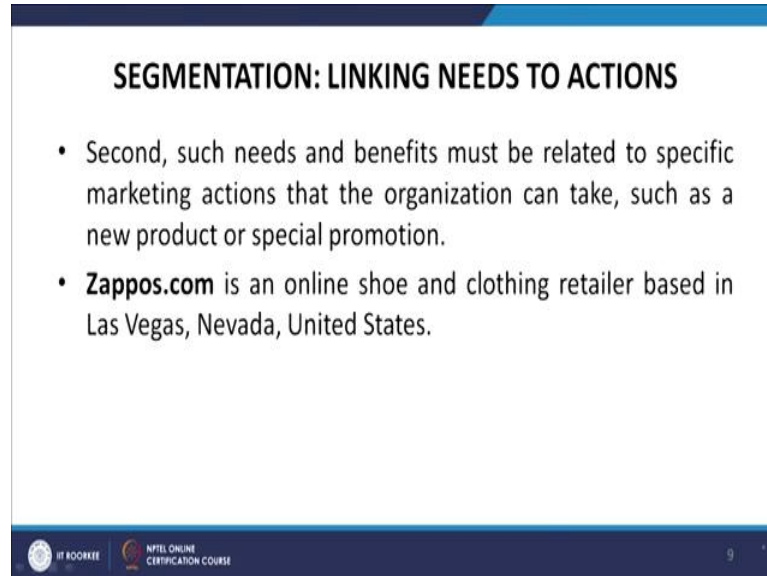
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So, the process of segmenting a market and selecting specific segment as targets is the link between the various buyers need and the organization's marketing program. Market segmentation is only a means to an end, so that is not an end in itself, but it is a means to an end. It leads to tangible marketing actions that can increase sales and profitability.

First, market segmentation stresses the importance of grouping people or organizations in a market according to the similarity of their needs and the benefits they are looking for in making a purchase. So, there are a group of people, who have similar need and they are looking for the similar kind of benefits; so, then we put them in one particular

segment. So, for this segment; that is the first segment we have one product that is P1, for another segment 2, there can be another product and so on so forth.

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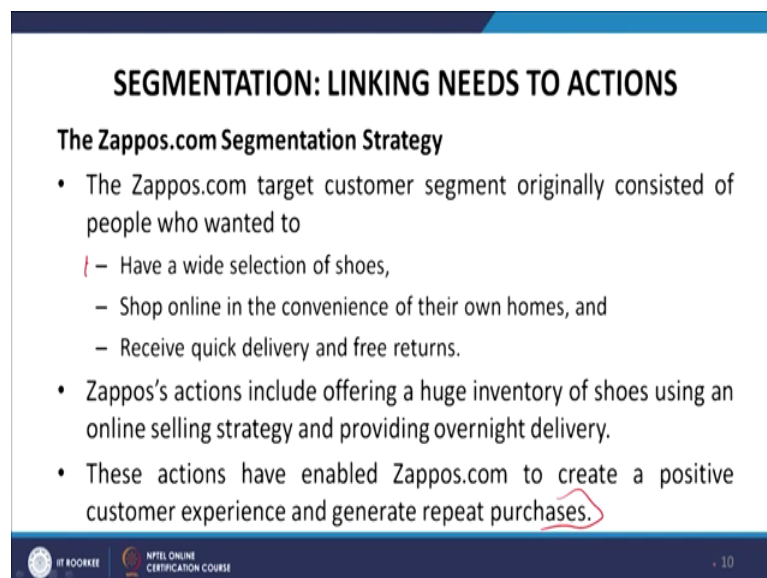
SEGMENTATION: LINKING NEEDS TO ACTIONS

- Second, such needs and benefits must be related to specific marketing actions that the organization can take, such as a new product or special promotion.
- **Zappos.com** is an online shoe and clothing retailer based in Las Vegas, Nevada, United States.

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Second, such needs and benefits must be related to specific marketing actions that the organization can take, such as a new product or special promotion. Zappos dot com is an online shoe and clothing retailer based in Las Vegas, Nevada, United States.

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SEGMENTATION: LINKING NEEDS TO ACTIONS

The Zappos.com Segmentation Strategy

- The Zappos.com target customer segment originally consisted of people who wanted to
 - Have a wide selection of shoes,
 - Shop online in the convenience of their own homes, and
 - Receive quick delivery and free returns.
- Zappos's actions include offering a huge inventory of shoes using an online selling strategy and providing overnight delivery.
- These actions have enabled Zappos.com to create a positive customer experience and generate repeat purchases.

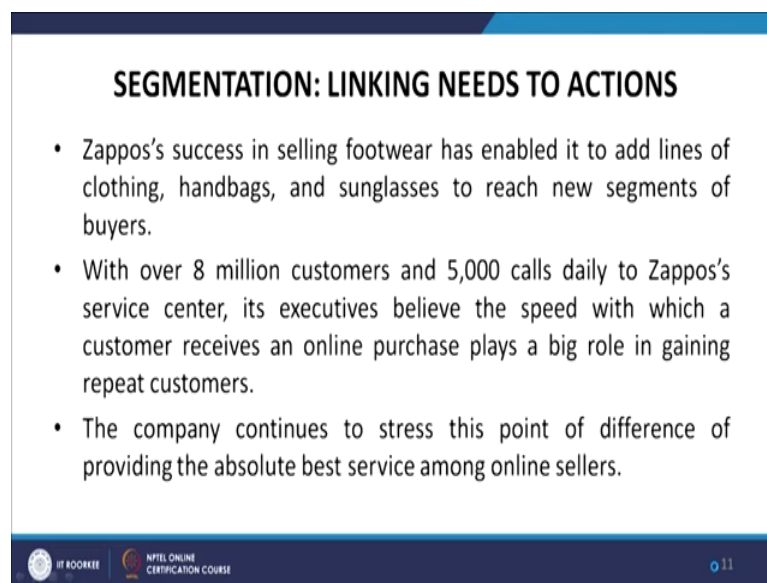
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Now, let us look at Zappos dot com segmentation strategy. The Zappos dot com target customer segments originally consisted of people who wanted to; so, first is that they

wanted to have a wide selection of shoes, another is they wanted to shop online in the convenience of their own homes, and the third is they wanted to receive quick delivery and free returns.

Zappos action include offering a huge inventory of shoes using an online selling strategy and providing overnight delivery. These actions have enabled Zappos dot com to create a positive customer experience and generate repeat purchases. So, that is important in marketing; to generate repeat purchases that is people keep on coming back and buying.

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SEGMENTATION: LINKING NEEDS TO ACTIONS

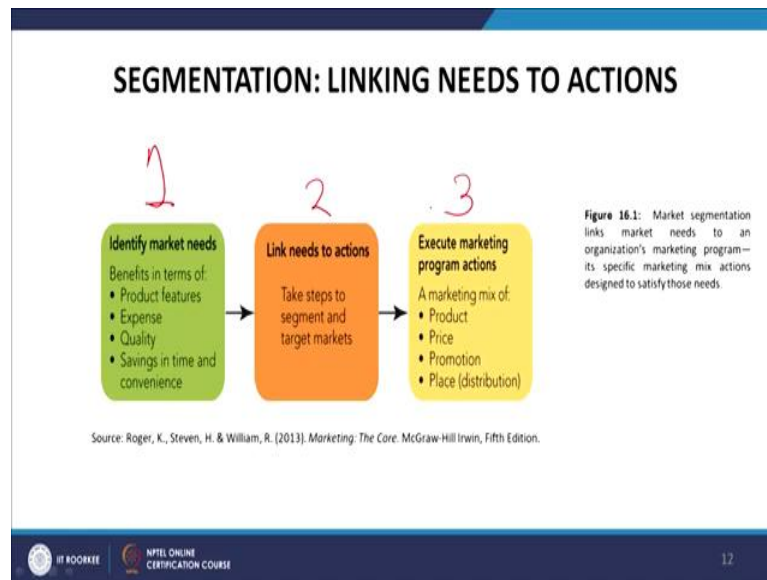
- Zappos's success in selling footwear has enabled it to add lines of clothing, handbags, and sunglasses to reach new segments of buyers.
- With over 8 million customers and 5,000 calls daily to Zappos's service center, its executives believe the speed with which a customer receives an online purchase plays a big role in gaining repeat customers.
- The company continues to stress this point of difference of providing the absolute best service among online sellers.

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Zappos success in selling footwear has enabled it to add lines of clothing, handbags and sunglasses to reach new segments of the buyers. So, now you see that they have different lines of clothes for well segment, handbags for another segment; sunglasses for another segment. So, that is how they are selling lots of thing to lots of segments.

With over 8 million customers and 5,000 calls daily to Zappos service center, its executive believes the speed with which a customer receives an online purchase plays a big role in gaining repeat customers. And the company continues to stress this point of difference of providing the absolute best service among online sellers.

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Now, let us look at this figure that is called as 16.1 in this marketing segmentation links market needs; to an organization marketing program - its specific marketing mix actions designed to satisfy those needs. So, here this segmentation is leak is linking needs 2 actions.

So, now the first step here in this process is: identify the market needs. Benefits in terms of product features, expenses, quality, saving in time and convenience. Then you link it to action that is take a step to segment and target the market. The third step here is to execute marketing program actions. So, the marketing mix of product, price, promotion and place that is also distribution.

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USING MARKET PRODUCT GRIDS

- How do you sleep—on your side, your back, or your stomach?
- These are really the key market segments of sleepers.
- Sleep researchers have discovered that you'll probably get a better night's sleep if you have the right firmness of pillow under your head.
- So we can develop the market-product grid shown in Figure 16.2.

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Now, let us start using market product grids. So, how do you sleep, on your side, on your back, or on your stomach? Now, these are really the key market segment of sleepers, one is whether you sleep on your side, your back, or your stomach.

So, sleep researchers have discovered that you will probably get a better night's sleep; if you have the right firmness of pillow under your head. So, we can develop a market-product grid shown in figure 16.2. So, this is this figure 16.2.

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USING MARKET PRODUCT GRIDS

- A **market-product grid** is a framework to relate the market segments of potential buyers to products offered or potential marketing actions.
- The market-product grid in Figure 16.2 shows the different market segments for bed pillows—the side, back, and stomach sleepers—in the horizontal rows.

Product

MARKET SEGMENTS	BED PILLOW PRODUCTS		
	Firm Pillows	Medium Pillows	Soft Pillows
Side sleepers	1		
Back sleepers		2	
Stomach sleepers			3

Market

Figure 16.2

Source: Roger, K., Steven, H. & William, R. (2013). Marketing: The Core. McGraw-Hill Irwin, Fifth Edition.

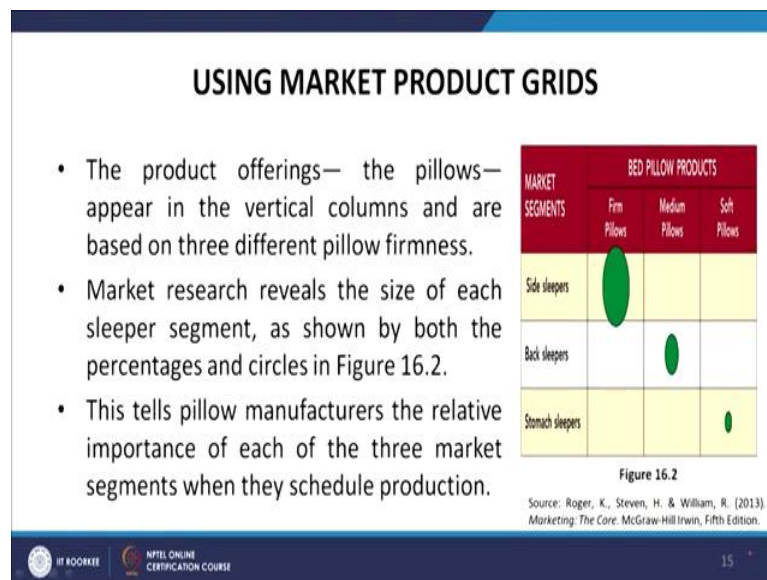
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Now, this is called as a market-product grid. It is a framework to relate the market segments of potential buyers to product offered or potential marketing actions. The market-product grid that is shown in figure 16.2 shows that different market segments of bed pillows; the side back, and stomach sleepers in the horizontal rows.

So, now you see that, here you have 3 kind of bed pillows: firm pillows, medium pillows and soft pillows. Now, on this axis we have 3 types of sleepers: side sleepers, back sleepers and stomach sleepers. So, now, they have for side sleepers, the firm has firm pillows that is 1.

For back sleepers, the company has this medium pillow and for stomach sleepers, they have these soft pillows. So, now these are the 3 different segments and these are the 3 different products. So, these are the these are the 3 markets; these are the 3 types of markets and these are the 3 types of products. So, that is a product market grid. So, different segments have different requirements; so, the company has come up with different products for each segment they are targeting.

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So, the product offerings, the pillows appear on the vertical column and are based on three different pillow firmness. Market research reveals the size of each sleeper segment, as shown by both the percentages and circles in figure 16.2. This tells pillow manufacturers the relative importance of each of the three market segments when they schedule production.

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USING MARKET PRODUCT GRIDS

- It also emphasizes the importance of the firm pillow product targeted at the side sleeper market segment.
- As Figure 16.2 shows, this segment is almost three times the size of the other two combined.
- Therefore, meeting the needs of this market segment with the right quality pillow is especially important.

MARKET SEGMENTS	BED PILLOW PRODUCTS		
	Firm Pillows	Medium Pillows	Soft Pillows
Side sleepers	3		
Back sleepers		2	
Stomach sleepers			1

Figure 16.2

Source: Roger, K., Steven, H. & William, R. (2013). Marketing: The Core. McGraw-Hill Irwin, Fifth Edition.

16

Now, this also; so, you see that the people sleeping on the side they are much larger in number. So, this is a big market. People who sleep on a stomach they are a small number. So, that is shown in this is smaller circle while, back sleepers are in between the two and the company makes medium pillows for them. Again, this circle is between the size of the first and the second circle. So, now, this product market grid it also emphasizes the importance of the firm pillow; product targeted at the side sleeper market segment.

As figure 16.2 shows, this this segment is almost three times the size of two other two combined. Therefore, meeting the needs of this market segment with the right quality pillow is especially important; because the size of the market is so big. Now, let us look at when and how to segment markets? One size fits all mass market like that of tide laundry detergent 40 years ago it no longer exists.

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WHEN AND HOW TO SEGMENT MARKETS

- One-size-fits-all mass markets—like that for Tide laundry detergent 40 years ago—no longer exist.
- The marketing officer at Procter & Gamble, which markets Tide, says, “Every one of our brands is targeted.”
- As the size of the middle-income market has shrunk in the recent recession, P&G has a new segmentation strategy:
 - 1) – Offer different products to reach high-income, and
 - 2) – low-income families.

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The marketing officer at Procter and Gamble, which make which markets tied says, “Every one of our brands is targeted”. So, the marketing officer at Procter and Gamble which markets tide says, “Every one of our brands is targeted”. As the size of the middle-income market has shrunk in the recent recession, P and G has a new segmentation strategy. They offer different products to reach high-income and low-income families.

So, they have different product; so that is the first they had different product for high-income, and they have different product for low-income families.

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WHEN AND HOW TO SEGMENT MARKETS

- A business goes to the trouble and expense of segmenting its markets when it expects that this will increase its sales, profit, and return on investment.
- When expenses are greater than the potentially increased sales from segmentation, a firm should not attempt to segment its market.
- Three specific segmentation strategies that illustrate this point are:
 - 1 - One product and multiple market segments
 - 2 - Multiple products and multiple market segments
 - 3 - Segments of one, or mass customization

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A business goes to the trouble and expense of segmenting its markets when it expects that this will increase its sales, profits and return on investments. When expenses, are greater than the potentially increased sales from segmentation, a firm should not attempt to segment this market. So, when the expenses are higher and the benefits are lesser than the company should not segment its market.

So, there are three specific segmentation strategies that illustrate this point; the first is one product and multiple market segments. Second strategy is multiple products and multiple market segments and the third is segment of one or mass customization.

So, in the first case there is one product for everyone, in the second case there are different products for different market segments and then, there are different products for everyone in a segment, everyone customer in a segment that is also called as mass customization.

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WHEN AND HOW TO SEGMENT MARKETS

One Product and Multiple Market Segments

- When an organization produces only a single product or service and attempts to sell it to two or more market segments:
 - It avoids the extra costs of developing and producing additional versions of the product.
- In this case, the incremental costs of taking the product into new market segments are typically those of a separate promotional campaign or a new channel of distribution.

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Now, what does this one product and multiple market segment means? When an organization produces only a single product or service and attempts to sell it to two or more market segments. So, it avoids the extra cost of developing and producing additional versions of the product; so that is the advantage here. In this case, the incremental cost of taking the product into new market segments are typically those offer separate promotional campaign or a new channel of distribution.

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WHEN AND HOW TO SEGMENT MARKETS

- Magazines and books are single products frequently directed at two or more distinct market segments.
- Harry Potter's phenomenal seven-book success is based on both author J. K. Rowling's fiction- writing wizardry and her publisher's creativity in marketing to **preteen, teen, and adult segments** of readers around the world.

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So, when and how to segment markets? Then, magazines and books are single product frequently directed at two or more distinct market segments. Harry Potter's phenomenal seven-book success is based on both authors J. K. Rowling's fiction writing wizardry and her publisher's creativity in terms of and her publisher's creativity in marketing to preteens, teens and adults segments of the readers around the world.

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WHEN AND HOW TO SEGMENT MARKETS

Multiple Products and Multiple Market Segments

- Examples of multiple products aimed at multiple market segments are Ford's different lines of cars, SUVs, and pickup trucks each targeted at a different type of customer.
- Producing these different vehicles is clearly more expensive than producing only a single vehicle.
- But this strategy is very effective if it meets customers' needs better, doesn't reduce quality or increase price, and adds to Ford's sales revenues and profits.

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Now, when we have multiple product and multiple market segments. So, examples of multiple products aimed at multiple market segments are Ford's different line of cars, SUVs and pickup trucks each targeted at a different type of customer. Producing these different vehicles is clearly more expensive than producing only a single vehicle. But this is strategy is very effective if it meets the customer needs better, does not reduce quality or increase price, and adds to Ford's sales revenues and profits.

So, now in the earlier example we have seen that, this is one book and why this one book is targeted to many different segments. In this second case we have seen that, Ford has different time of types of cars, four-wheeler for different kind of segments.

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WHEN AND HOW TO SEGMENT MARKETS

Segments of One: Mass Customization

- Marketers are rediscovering today what their ancestors running the corner general store knew a century ago: Each customer has unique needs and wants and desires.
- Economies of scale in manufacturing and marketing during the past century made mass-produced goods so affordable that most customers were willing to compromise their individual tastes and settle for standardized products.

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And the third is strategy of segmentation strategies; segments of one that is mass customization. Now, here marketers are rediscovering today that their ancestors running the corner general store knew a century ago: Each customer has unique needs and wants and desires.

So, now we have understanding that, every customer is different and they every customer has a unique need and want, and desires. Economies of a skills in manufacturing and marketing, during the past century made mass produce goods. So, affordable that most customers were willing to compromise their individual tastes and settle for a standardized product.

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WHEN AND HOW TO SEGMENT MARKETS

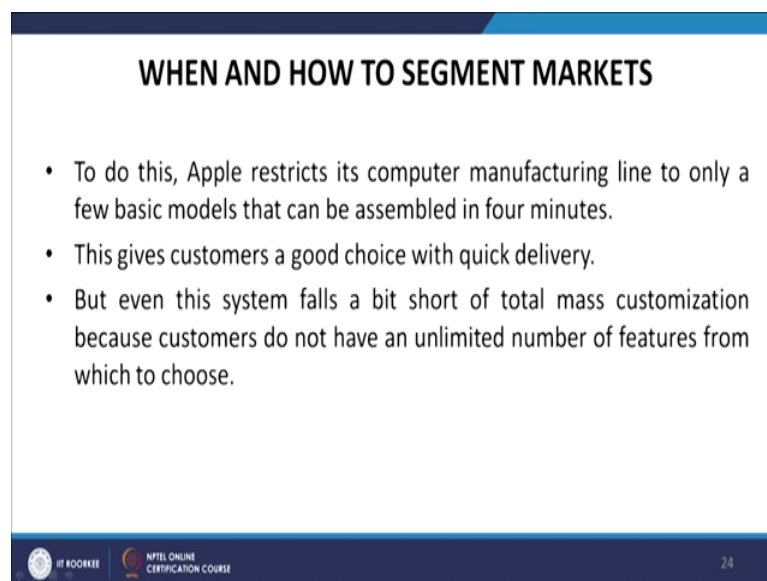
- Today's Internet ordering and flexible manufacturing and marketing processes have made mass customization possible,
 - which means tailoring goods or services to the tastes of individual customers on a high-volume scale.
- Mass customization is the next step beyond build-to-order (BTO), manufacturing a product only when there is an order from a customer.
- Apple uses BTO systems that trim work-in-progress inventories and shorten delivery times to customers.

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But with today's internet ordering and flexible manufacturing and marketing processes and capabilities have made mass customization possible which means tailoring goods or services to the taste of individual customers on a high-volume scale.

Mass customization is the next step beyond built to order manufacturing a product only when there is an order from a customer. Apple uses BTO that is built to order system that trims work-in-progress inventories and shorten delivery times to customers.

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WHEN AND HOW TO SEGMENT MARKETS

- To do this, Apple restricts its computer manufacturing line to only a few basic models that can be assembled in four minutes.
- This gives customers a good choice with quick delivery.
- But even this system falls a bit short of total mass customization because customers do not have an unlimited number of features from which to choose.

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To do this, Apple restricts its computer manufacturing line to only a few basic models that can be assembled in four minutes. This gives customers a good choice with quick delivery. But even this system falls a bit short of total mass customization because customers do not have an unlimited number of features from which to choose.

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WHEN AND HOW TO SEGMENT MARKETS

The Segmentation Trade-Off: Synergies versus Cannibalization

- The key to successful product differentiation and market segmentation strategies is:
 - finding the ideal balance between satisfying a customer's individual wants
 - and achieving **organizational synergy**, which is the increased customer value achieved through performing organizational functions such as marketing or manufacturing more efficiently.

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Now, let us look at this segmentation trade-off that is Synergies versus Cannibalization. So, these are the two issues when we talk of segmentation trade off. The key to successful product differentiation and market segmentation strategies is: finding the ideal balance between satisfying a customer individual wants and achieving organizational synergy, which is the increased customer value achieved through performing organization functions such as marketing or manufacturing more efficiently.

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WHEN AND HOW TO SEGMENT MARKETS

- The “increased customer value” can take many forms:
 - 1 – more products,
 - 2 – improved quality of existing products,
 - 3 – lower prices,
 - 4 – easier access to products through improved distribution, and so on.
- So the ultimate criterion for an organization’s marketing success is that customers should be better off as a result of the increased synergies.

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Now, this increase customer value can come in several ways it can take many forms, one is more product, second is improved quality of existing products, and the third is lower prices, and the fourth one is easier access to products through improved to distribution, and so on. So, the ultimate criteria of an organization marketing success is that customers should be better off as a result of increased synergies.

The organization should also achieve increased revenues and profits from the product differentiation and market segmentation strategies it uses. So, this should not only profit the customer, but also profit the organization. So, when the increase customer value involves adding new products or a new chain of a stores, the product differentiation market segmentation trade-off this is the critical issue.

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WHEN AND HOW TO SEGMENT MARKETS

- The organization should also achieve increased revenues and profits from the product differentiation and market segmentation strategies it uses.
- When the increased customer value involves adding new products or a new chain of stores, the product differentiation–market segmentation trade-off raises a critical issue:
 - Are the new products or new chain simply stealing customers and sales from the older, existing ones?
 - This is known as **cannibalization**.

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Are the new products or new chain simply stealing customers and sales from the older, existing one? And this is known as cannibalization. So, whether the customers from the old product they are shifting to new product, customers from old stores are shifting to new stores so, that is called as cannibalization.

So, now you look at there are two sides of the same coin; one is that we are trying to increase the customer base and the profits, and so on so forth. But if you should also lead to increased profits and benefits return on investment for the company. But then this if this cannibalization is start happening the total sale is still remaining the same, it just shifts from one product to another it just shifts from one store to another.

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WHEN AND HOW TO SEGMENT MARKETS

- Many firms now offer different variations of the same basic offering to high-end and low-end segments.
- Unfortunately, the lines between customer segments are often blur and lead to problem of cannibalization.

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So, many firms offer different variations of the same basic offerings to high-end and low-end segments. Unfortunately, the lines between customer segments are often blur; and lead to problems of cannibalization.

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STEPS IN SEGMENTING AND TARGETING MARKETS

1 Identify market needs → 2 Link needs to actions. The steps: 1 Group potential buyers into segments 2 Group products to be sold into categories 3 Develop a market-product grid and estimate size of markets 4 Select target markets 5 Take marketing actions to reach target markets → 3 Execute marketing program actions

Figure 16.3: The five key steps in segmenting and targeting markets link the market needs of customers to the organization's marketing program.

Source: Roger, K., Steven, H. & William, R. (2013). *Marketing: The Core*. McGraw-Hill Irwin, Fifth Edition.


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Now, let us look at the steps in segmentation and targeting of the markets. So, now let us it is starts with so, in this is figure 16.3 and the 5 key steps in segmenting and targeting markets link the market needs of customers to the organization marketing program.

So, the first is to identify market needs, and then we will link needs to action. So, that these steps are group potential buyers into segments how? By looking at whether they have the similar needs, and how they will respond to the marketing actions.

The second way is group products into the good group product to be sold into categories, develop a market product grid and estimate size of the markets; the fourth is to select the target markets and the fifth is to take marketing actions to reach target markets. And then after having done this we move onto the next step that is execute marketing program actions.

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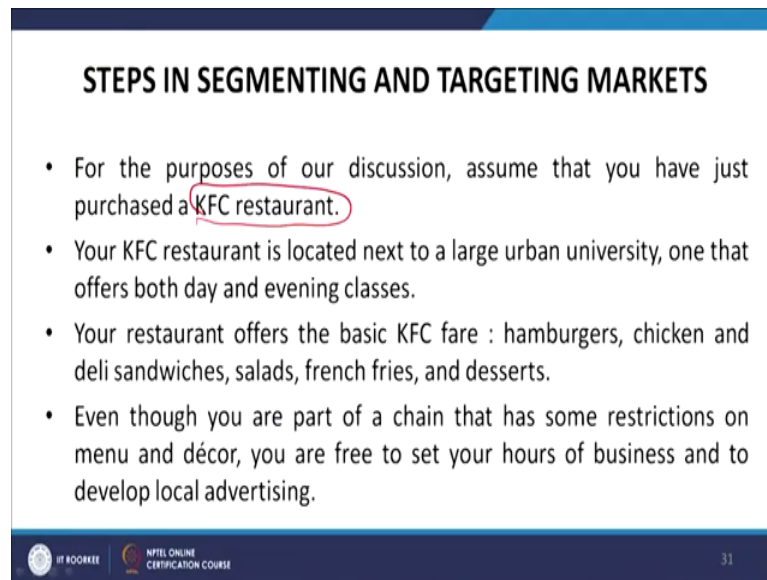
STEPS IN SEGMENTING AND TARGETING MARKETS

- Figure 16.3 identifies the five-step process used to segment a market and select the target segments on which an organization wants to focus.
- Segmenting a market requires both detailed analysis and large doses of common sense and managerial judgment.
- So market segmentation is both science and art.

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So, this figure 16.3 identifies the five-step process used to segment a market and select the target segments on which an organization wants to focus. Segmenting a market requires both detailed analysis and large doses of common sense and also managerial judgment. So, market segmentation is both a science and an art.

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STEPS IN SEGMENTING AND TARGETING MARKETS

- For the purposes of our discussion, assume that you have just purchased a KFC restaurant.
- Your KFC restaurant is located next to a large urban university, one that offers both day and evening classes.
- Your restaurant offers the basic KFC fare : hamburgers, chicken and deli sandwiches, salads, french fries, and desserts.
- Even though you are part of a chain that has some restrictions on menu and décor, you are free to set your hours of business and to develop local advertising.

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Now, for the purpose of our discussion, assume that you have just purchased a KFC restaurant. I am talking of KFC restaurant not their burgers. So, you just purchased a KFC restaurant. Your KFC restaurant is located next to a large urban university, one that offers both day and evening classes.

Your restaurant offers the basic KFC fare that are: hamburgers, chicken and deli sandwiches, salads, french fries, and desserts. Even though you are part of a chain that has some restrictions on menu and décor, you are free to set your hours of business and to develop local advertising.

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STEPS IN SEGMENTING AND TARGETING MARKETS

- How can market segmentation help?
- In the slides that follow, you will apply the five-step process for segmenting and targeting markets to arrive at marketing actions for your KFC restaurant.

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Now, how can market segmentation help? In the slide that follow, you will apply the five-step process for segmenting and targeting markets to arrive at marketing actions for the your KFC restaurant. Now, first step is to group potential buyers into segments. So, it is not always a good idea to segment the market.

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STEPS IN SEGMENTING AND TARGETING MARKETS
(STEP 1: GROUP POTENTIAL BUYERS INTO SEGMENTS)

- It's not always a good idea to segment a market.
- Grouping potential buyers into meaningful segments involves meeting some specific criteria that answer the questions,
 - 1 - "Would segmentation be worth doing?", and
 - 2 - "Is it possible?"

*two YES
one NO → go ahead*
- If so, a marketer must find specific variables that can be used to create these various segments.

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Grouping potential buyers into meaningful segments involves meeting some specific criteria that answers the question, so this is the are important question would

segmentation be worth doing. Second if it is yes, then we will move on to the second question that that is, is it possible?

So, we need two yes. If there is one, no we will not go ahead even if the segmentation is worth doing, but it is not possible. So, we will know we will not go ahead. If segmentation is not the not worth doing, but it is possible then again you will not move on. So, if so, a marketer must find a specific variable that can be used to create these various segments.

So, criteria that should be used to form the segments; the first criteria is simplicity and cost-effectiveness of assigning potential bias two segments. So, the first criteria in forming the segments is, this simplicity and cost-effectiveness of assigning potential buyers to segments.

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STEPS IN SEGMENTING AND TARGETING MARKETS
(STEP 1: GROUP POTENTIAL BUYERS INTO SEGMENTS)

Criteria to Use in Forming the Segments

- **Simplicity and cost-effectiveness of assigning potential buyers to segments**
 - 1 – A marketing manager must be able to put a market segmentation plan into effect.
 - 2 – This means identifying the characteristics of potential buyers in a market and then cost-effectively assigning them to a segment.

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So, a marketing manager must be able to put a market segmentation plan into effect that is the first thing. The second is this means identifying the characteristics of potential buyers in a market and then cost-effectively assigning them to a segment. The second thing that needs to be done is to look for potential for increased profits. The best segmentation approach is the one that maximizes the opportunity for future profits and the return on investments that is the ROI.

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STEPS IN SEGMENTING AND TARGETING MARKETS
(STEP 1: GROUP POTENTIAL BUYERS INTO SEGMENTS)

Criteria to Use in Forming the Segments

- **Potential for increased profit**
 - The best segmentation approach is the one that maximizes the opportunity for future profit and return on investment (ROI).
 - If this potential is maximized without segmentation, don't segment.
 - For nonprofit organizations, the criterion is the potential for serving clients more effectively.

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If this potential is maximized without segmentation, do not segment. For nonprofit organizations, the criteria is the potential for serving clients more effectively.

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STEPS IN SEGMENTING AND TARGETING MARKETS
(STEP 1: GROUP POTENTIAL BUYERS INTO SEGMENTS)

Criteria to Use in Forming the Segments

- **Similarity of needs of potential buyers within a segment**
 - Potential buyers within a segment should be similar in terms of common needs that, in turn, lead to a common marketing action, such as product features sought or advertising media used.

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The third thing to look for is the similarity of needs of potential buyers within a segment. Potential buyers within a segment should be similar in terms of common needs that, in turn, leads to common marketing actions, such as product feature sought or advertising media used.

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STEPS IN SEGMENTING AND TARGETING MARKETS
(STEP 1: GROUP POTENTIAL BUYERS INTO SEGMENTS)

Criteria to Use in Forming the Segments

- **Difference of needs of buyers among segments**
 - 1 – If the needs of the various segments aren't very different, combine them into fewer segments.
 - 2 – A different segment usually requires a different marketing action that, in turn, means greater costs.
 - 3 – If increased sales don't offset extra costs, combine segments and reduce the number of marketing actions.

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Then, the next thing that needs to be done is to find out the differences of needs of buyers among segments. So, if the needs of the various segments are not very different combine them into fewer lesser number of segments. A different segment usually requires a different marketing action that in turns means greater cost.

So, if two segments are not very different you combine them into one because, if you keep these two segments then the cost may go up; and the third is if increased sales does not offset extra cost, combine segments and reduce the number of marketing actions. So, after you have done that and you find out that the sales have not increased or the cost has increased more than the sales, then you combine these two segments.

So, that will reduce your cost. So, this increase in sales between two segments will justify, whether we need to have two segments or we need to have one segment. The next criteria is the potential of a marketing action to reach a segment. Reaching a segment requires a simple, but effective marketing action; if no such action exist, do not segment.

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STEPS IN SEGMENTING AND TARGETING MARKETS
(STEP 1: GROUP POTENTIAL BUYERS INTO SEGMENTS)

Criteria to Use in Forming the Segments

- **Potential of a marketing action to reach a segment**
 - Reaching a segment requires a simple but effective marketing action.
 - If no such action exists, don't segment.

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So, reaching a segment with a simple but effective marketing action. Simple, but effective marketing action, if it is not possible then do not segment.

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CONCLUSION

- This module explained what market segmentation is and when to use it.
- We identified the five steps involved in segmenting and targeting markets.
- We started with step number one (grouping potential buyers into segments) of segmentation in detail.
- We will continue with remaining part of step one of segmentation along with other steps of segmentation in upcoming modules.

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Now, to conclude this module explained what market segmentation is and when to use it. So, we have seen when to use market segmentation, when there are a group of people who have different needs. So, we identified the five steps involved in segmenting and targeting markets.

Then we started with step number one that is, grouping potential buyers into segments of segmentation in detail; there are now we will next, we will continue with remaining part of the step one of segmentation along with other steps of segmentation in the upcoming modules.

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And these are the three books from which the material for this module was taken.

Thank you.