UNIT 2: MARKET SEGMENTATION AND POSITIONING

UNIT STRUCTURE

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2.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- define Market Segmentation
- explain the requirements for market segmentation
- discuss the bases for market segmentation
- define product positioning
- explain the product positioning strategies
- explain the positioning errors
- explain the Consumer Motivation
- describe the Motivational Conflicts
- discuss the motivational theories
- explain the Motivation Research.

2.2 INTRODUCTION

Marketing is an important aspect of business. The success of any firm or industry is largely determined by its ability in marketing the products.In recent years there are huge changes in production and distribution of goods, throughout the world, especially in the developing and developed countries. The reasons for the changes are, advancement in technology, improvement in transportation and communications, increasing standard of living, knowledge of the consumer etc. hence those who want to attain success in business or marketing of the products must possess a thorough knowledge of subject marketing. This chapter covers the entire necessary topic that concerned to the mentioned unit for the purpose of providing the suitable study material to the learners.

2.3 CONCEPT OF MARKETING

In the earlier period of human history, the problems of human being revolved around the question of survival and later periods of human civilization mostly concerned about taking care of primary needs- food, shelter and security.

Marketing begins with the fundamental idea that most human behaviour is a purposeful quest for need satisfaction and this activity is rooted in "exchange" notion. The essence of marketing is an exchange or a transition, intended to satisfy human needs or wants. A want is anything or a service the customer desires or seeks. The aim of marketing is to make sales order to earn reasonable profit for the producer.

According to American Marketing Association," Marketing is concerned with people and the activities in the flow of goods and services from the producer to consumer."

2.4 MARKET SEGMENTATION

A market segment is apportion of a large market in which the individuals, groups or organizations share one or more characteristics that

cause them to have relatively similar product's needs; whereas market segmentations the process of dividing the total market into relatively distinct homogeneous sub groups customers with similar needs and characteristics.

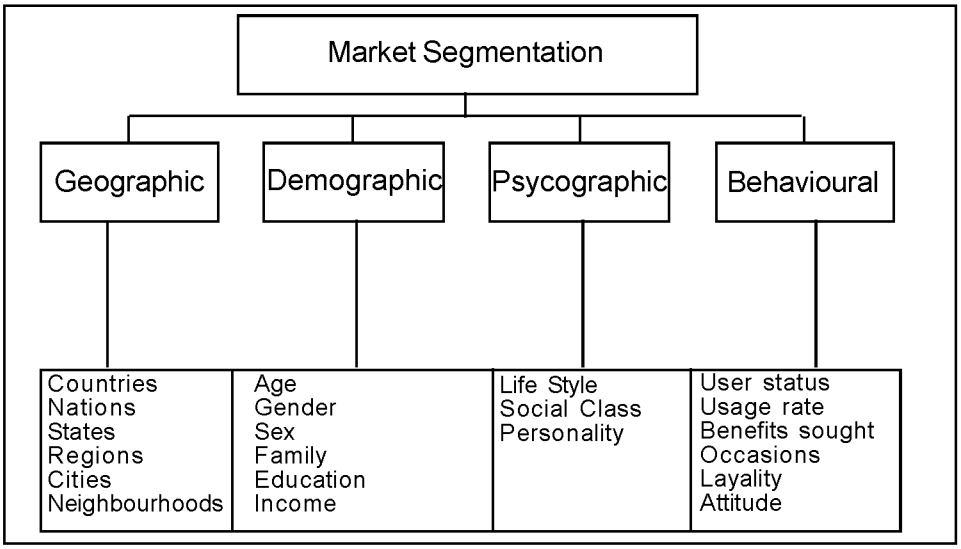
2.5 REQUIREMENTS FOR EFFECTIVE SEGMENTATION

The market segmentation to be worthwhile six criteria; as shown must be satisfied:

- **Identity:** The marketing manager must have some means of identifying members of the segment that is, some basis for classifying an individual as being or not being a member of the segment. There must be clear differences between the segments.
- **Accessibility:** It must be possible to reach the different segments in regard to both promotion and distribution. In other words, organization must be able to focus its marketing effort on the chosen segment. Segments must be accessible in two senses; first, firms must be able to make them aware of products or services. Secondly they must get these products to them through distribution system.
- **Responsiveness:** A clearly defined segment must react to changes in any of the elements of marketing mix. For instance, if particular segment is defined as being cost-conscious, it should react negatively to price rises. If it does not, this is an identification that the segment needs to be refined.
- **Size:** The segment must be reasonably large to be a profitable target. It depends upon the number of people in it and their purchasing power. The idea is that enough potential buyers must exist to cover the cost of production and marketing required in that segment. This is often called as substantiality.
- **Nature of demand:** It refers to the different quantities demanded by various segments. Segmentation is required only if there is marked differentiation in terms of demand.

- **Measurability:** The purpose of the segmentation is to measure the change behaviour pattern of customers. For example, the segments of a market for a car are determined by a number of considerations, such as economy, status, quality, safety, comforts etc.

2.6 BASES FOR CONSUMER MARKET SEGMENTATION



2.6.1 On the Basis of Consumer Personal Characteristics (Non-Behavioural)

a) Geographic Segmentation:

In geographic segmentation, the whole market is divided into different geographical units. Generally the market is divided into regions-northern, southern, western, and eastern and so on. Each region may consist of several states and districts. A national marketer may treat the whole nation as his market and divide it on the basis of region or zone for business operations.

b) Demographic Segments:

In demographic segmentation, the market is subdivided into different parts on the basis of demographic variables- age, sex, size, income, occupation, education, family life cycle, religion, nationality etc. Demographic variables have long been the most popular bases for distinguishing segment groupings in the market place.

c) Psychographic Segmentation:

Consumers are subdivided into different groups on the basis of personality, life style and values. These characteristics lead to psychographic segmentation. Values are also used by the markete4r to segment the market. Values are one kind of beliefs which determines people's product choices and desires.

d) Socio-economic characteristics:

Income, occupation, education, religion and social classes are the important socio economic data required for market segmentation. These are all components of socio economic characteristics of a target population. Income and occupation characteristics are generally used in market segmentation for durable products.

2.6.2 On the Basis of Consumer Response (Behavioral)

a) User Status:

The users of a product or service can be classified as heavy users, medium users and light users- heavy buyer, medium buyer and light buyer. A firm generally, is interested in the heavy buyers or users. Sometimes a firm may select light users as their target market with the intention of wooing and changing these customers into heavy users.

b) Usage rate:

Market can be segmented into various classes depending on usage rate. Considering the cosmetic users the different categories of usage rate are as follows:

- Light: These are the categories of the users who are infrequent users. In case of cosmetic an average house maker who is not very fashion conscious is a light user.
- Medium: The fashion conscious teenagers are the medium users of cosmetics, as the use it frequently.
- Heavy: There are people for whom the cosmetics are the most important purchase and they are the heavy users of it.

c) Attitude:

A market may be segmented by classifying people in it according to their enthusiasm for a product. Five attitudes can be found in the market,

i.e. enthusiastic, positive, indifferent, negative, hostile etc. Enthusiastic people are having tendency of impulsive purchase. Positive persons are very serious about their buying decisions. Indifferent buyers prefer to purchase with cash after thinking over the needs of buying. Hostile people at times become very much irritated either by sales people calling or meeting any time, giving false promise etc.

d) Loyalty status:

Consumers have varying degrees of loyalty to specific brands, stores and other entities. Buyers can be divided into four groups according to brand loyalty status, i.e. hard core loyal, safe core loyal, shifting loyal and switchers.

2.7 PRODUCT POSITIONING

Product positioning is a form of marketing that presents the benefits of your product to a particular target audience. Through market research and focus groups, marketers can determine which audience to target based on favorable responses to the product. It is the act of company's offering and image to occupy a distinctive place in the target markets mind. The end result of positioning is the successful creation of a market focused value proposition and hit the target market.

Product positioning is a marketing strategy that helps place a product perceptually in the minds of consumers. Positioning typically requires creating differences between your products or services and your competitors' offerings, but can be extended to your own products if they are marketed under different brands. Successful product positioning strategies help gain market share and increase sales and profits for your company. Product positioning is an important component of any marketing plan, but it doesn't have to be limited to one audience. For example, a product may have a main target audience and also a secondary audience that is also interested in the product, but perhaps in a different way. Each audience will find the product appealing for different reasons, which is why it's important to tailor marketing messages to focus on the benefits each audience values most.

2.8 PRODUCT POSITIONING STRATEGY

Positioning strategies can be conceived and developed in a variety of ways. It can be derived from the object attributes, competition, application, the types of consumers involved, or the characteristics of the product class. All these attributes represent a different approach in developing positioning strategies, even though all of them have the common objective of projecting a favorable image in the minds of the consumers or audience.

There are seven approaches to positioning strategies:

- **Using Product characteristics or Customer Benefits as a positioning strategy:** This strategy basically focuses upon the characteristics of the product or customer benefits. For example, imported items basically indicates variety of product characteristics such as durability, economy or reliability etc. Let's take an example of motorbikes.Some are emphasizing on fuel economy, some on power, looks and others stress on their durability. Hero Cycles Ltd. positions first, emphasizing durability and style for its cycle. A product that is well made usually offers more than one benefit.
- **Pricing as a positioning strategy:** This approach justifies various price quality categories of the products. Manufactures deliberately attempts to offer more in terms or service, features or performance in case to certain products known as premium products and in return they charge higher price to cover higher cost and partly to communicate the fact that they are of higher quality. Quality Approach or Positioning by Price-Quality - Lets take an example and understand this approach just suppose you have to go and buy a pair of jeans, as soon as you enter in the shop you will find different price rage jeans in the showroom say price ranging from 350 rupees to 2000 rupees. As soon as look at the jeans of 350 Rupees you say that it is not good in quality.
- **Positioning strategy based on Use or Application:** The idea behind this approach for positioning is to find an occasion nor time of use. For instance, Vicks Vaporous is to be used for a child's cold at night. This brand has used this positioning for decades now without any serious

challenge from competitors. Basically this type of positioning-by-use represents a second or third position for the brand, such type of positioning is done deliberately to expand the brand's market. If you are introducing new uses of the product that will automatically expand the brand's market.

- **Positioning strategy based on Product user:** Another positioning approach is to associate the product with its users or a class of users. Makes of casual clothing like jeans have introduced 'designer labels' to develop a fashion image. In this case the expectation is that the model or personality will influence the product's image by reflecting the characteristics and image of the model or personality communicated as a product user.
- **Positioning strategy based on corporate category:** This positioning is used so that the brand is as perceived as belonging to another product category. This is often a strong positing strategy when the existing product category is crowded. In some product class we have to make sure critical positioning decisions. For example, freeze dried coffee needed to positions itself with respect to regular and instant coffee and similarly in case of dried milk makers came out with instant breakfast positioned as a breakfast substitute and virtually identical product positioned as a dietary meal substitute.
- **Positioning strategy based on corporate identity:** In today's world many advertisers are using deeply entrenched cultural symbols to differentiate their brands from that of competitors. The essential task is to identify something that is very meaningful to people that other competitors are not using and associate this brand with that symbol. Air India uses maharaja as its logo, by this they are trying to show that we welcome guest and give them royal treatment with lot of respect and it also highlights Indian tradition. Using and popularizing trademarks generally follow this type of positioning.
- **Positioning strategy based on Competitors:** Positioning by competitor may be used because the competitor enjoys a well-

established image in market. In this type of positioning strategies, an implicit or explicit frame of reference is one or more competitors. In some cases, reference competitors can be the dominant aspect of the positioning strategies of the firm, the firm either uses the same of similar positioning strategies as used by the competitors or the advertiser uses a new strategy taking the competitors' strategy as the base.

2.9 POSITIONING ERRORS

A brand is a perceptual entity and exists in the perceptual world of customers. While drawing a positioning strategy, a brand might incur some positioning errors which will have an effect on the brand.

- **Under Positioning:** The state of buyers where they do not have much information about the brand and its attributes and use and consider the brand to be just another in the pool of brand is called under positioning. This is a field attempt to assert distinctive positions in the market.
- **Over Positioning:** This is the state where the buyers or perspective buyers attaches a very narrow image for the brand. They have perception about a particular brand due to lack of information of pre decided notion. For example, buyers think that Apple only comes out with expensive products where Apple has a range of products at different prices.
- **Confused Positioning:** It is often observed that a brand will created too many associations with the product or will reposition the brand very frequently. This results in confusing the potential buyers about the goods and hampers the positioning schemes.
- **Doubtful Positioning:** There are situations where the buyer finds it extremely difficult to believe the claims made by the brand given the price, product features or the manufacturer. This means the positioning strategy has not been to effectively in convincing the potential buyers about the good.



CHECK YOUR PROGRESS

Q 1: Answer as directed:

a) Marketing comprises three constituents, i.e. segmenting, _____and positioning. (Fill in the blank)

b) When the marketers cater to the market with a single offering and the same marketing mix, it is known as _____segmentation. (Fill in the blank)

c) The bases for segmentation of consumer markets may be divided into two broader categories of variables. These are _____ and _____. (Fill in the blank)

d) Segments are created by marketers. (Write True or False)

e) Concentrated marketing is also niche marketing. (Write True or False)



2.10 LET US SUM UP

- Marketing begins with the fundamental idea that most human behaviour is a purposeful quest for need satisfaction and this activity is rooted in "exchange" notion.
- The essence of marketing is an exchange or a transition, intended to satisfy human needs or wants.
- A want is anything or a service the customer desires or seeks. The aim of marketing is to make sales order to earn reasonable profit for the producer.
- Once the process of segmentation of market has been achieved, the next step follows that is selection of suitable segment or segments which the firm can serve most effectively.



2.11 FURTHER READING

1) OrganisationalBehaviour - By Dr S.S. Khanka

2) Narain'sOrganisationalBehaviour - By S. Sachdeva

3) Modern Marketing Principles and Practices - By R.S.N. Pillai &Bhagavathi

2.12 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: a) Targeting

Ans to Q No 2: b) Single

Ans to Q No 3: c) Demographic and behavioural

Ans to Q No 4: d) False

Ans to Q No 5: e) True

Ans to Q No 6: f) Measurable, substantial, accessible, differentiable and actionable

2.13 MODEL QUESTIONS

Q 1: Define market segmentation and discuss the requirements for market segmentation.

Q 2: What are the objectives of market segmentation?

Q 3: What are the bases for market segmentation?

Q 4: What is product positioning? Explain various products positioning strategy that applies while segmenting the market.

Q 5: What is Positioning Errors? How it will affecta brand?

Q 6: What is the concept of Motivation? How does it affect consumer behaviour and performance?

Q 7: Explain Maslow's need hierarchy theory.

Q 8: Critically examine Herzberg's nature of needs. Make a comparison between theories of Herzberg and Maslow's.

Q 9: "Theory X and theory Y are concerned with the nature of people" justify the statement.

Q 10: What is motive Arousal?

Q 11: What is motivation research? Explain its objectives and uses.

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