Academic Script

Introduction

Marketing management is the organizational discipline which focuses on the practical application of marketing orientation, techniques and methods inside enterprises and organisations and on the management of a firm's marketing resources and activities. Today, we will see what is market segmentation and positioning.

MARKET SEGMENTATION

Market segmentation is the process of dividing a broad consumer or business market, normally consisting of existing and potential customers, into sub-groups of consumers (known as *segments*) based on some type of shared characteristics. In dividing or segmenting markets, researchers typically look for shared characteristics such as common needs, common interests, similar lifestyles or even similar demographic profiles. The overall aim of segmentation is to identify *high yield segments* – that is, those segments that are likely to be the most profitable or that have growth potential – so that these can be selected for special attention (i.e. become target markets).

Many different ways to segment a market have been identified. Business-to-business (B2B) sellers might segment the market into different types of businesses or countries. While business to consumer (B2C) sellers might segment the market into demographic segments, lifestyle segments, behavioral segments or any other meaningful segment.

Market segmentation assumes that different market segments require different marketing programs – that is, different offers, prices, promotion, distribution or some combination of marketing variables. Market segmentation is not only designed to identify the most profitable segments, but also to develop profiles of key segments in order to better understand their needs and purchase motivations. Insights from segmentation analysis are subsequently used to support marketing strategy development and planning. Many marketers use the S-T-P approach; Segmentation→ Targeting→ Positioning to provide the framework for marketing planning objectives. That is, a market is segmented, one or more segments are selected for targeting, and products or services are positioned in a way that resonates with the selected target market or markets.

BASES FOR SEGMENTING MARKET

Segmenting can be done on following bases:

1. Geographic Segmentation:

Geographic location is one of the simplest methods of segmenting the market. People living in one region of the country have purchasing and consuming habit which differs from those living in other regions. For example, life style products sell very well in metro cities, e.g., Mumbai, Delhi, Kolkata and Chennai but do not sell in small towns. Banking needs of people in rural areas differ from those of urban areas. Even within a city, a bank branch located in the northern part of the city may attract more clients than a branch located in eastern part of the city.

Another example for geographic segmentation can be of McDonalds which has specifically came up with some variants of burgers specifically for India such as "Veg Maharaja Mac".

2. Demographic Segmentation:

Demographic variables such as age, occupation, education, sex and income are commonly used for segmenting markets. All the different sections having different demographics will have different needs and different buying patterns. To cater to those needs effectively, demographic segmentation helps.

(a) Age:

Teenagers, adults, retired.

(b) Gender:

Male and female.

(c) Occupation:

Agriculture, industry, trade, students, service sector, house-holds, institutions. People in different kind of occupation will have different kind of needs. Segmenting helps us in understanding those needs clearly and coming up with products or services for those needs.

(i) Industrial sector:

Large, small, tiny.

(ii) Trade:

Wholesale, retail, exporters.

(iii) Services:

Professionals and non-professionals.

(iv) Institutions:

Educational, religions, clubs.

(v) Agriculture and cottage industries

(d) Income Level:

Above Rs. 1 lakh per annum, Rs. 50,000 to Rs. 1 lakh, Rs. 25,000 to Rs. 50,000 per annum, i.e., higher, middle and lower.

(e) Family Life-cycle:

Young single, young married no children, young married youngest child under six, young married youngest child over six, older married with children, older married no children under eighteen, older single, etc. At all these stage the needs and wants of an individual changes and as marketers, we should be knowing these shifts in the needs of an individual as he/she passes through the life cycle.

3. Psychographic Segmentation:

Under this method consumers are classified into market segments on the basis of their psychological make-up, i.e., personality, attitude and lifestyle. According to attitude towards life, people may be classified as traditionalists, achievers, etc.

Rogers has identified five groups of consumer personalities according to the way they adopt new products:

(a) Innovators:

These are cosmopolitan people who are eager to try new ideas. They are highly venturesome and willing to assume the risk of an occasional bad experience with a new product.

(b) Early Adopters:

These are influential people with whom the average person checks out an innovation.

(c) Early Majority:

This group tends to deliberate before adopting a new product. Its members are important in legitimising an innovation but they are seldom leaders.

(d) Late Majority:

This group is cautious and adopts new ideas after an innovation has received public confidence.

(e) Laggards:

These are past-oriented people. They are suspicious of change and innovations. By the time they adopt a product, it may already have been replaced by a new one. Understanding of psychographic of consumers enables marketers to better select potential markets and match the product image with the type of consumer using it. For example, women making heavy use of bank credit cards are said to lead an active lifestyle and are concerned with their appearance. They tend to be liberated and are willing to try new things.

Psychographic classification may, however, be an oversimplification of consumer personalities and purchase behaviour. So many factors influence consumers that an early adopter of one product might well be a laggard for some other product and vice versa.

4. Behaviouristic Segmentation:

In this method consumers are classified into market segments on the basis of their knowledge, attitude and use of actual products or product attributes.

Any of the following variables might be used for this purpose:

(a) Purchase Occasion:

Buyers may be differentiated on the basis of when they use a product or service. For example, air travellers might fly for business or vacation. Therefore, one airline might promote itself as a business flyer while another might target the tourists.

(b) Benefits Sought:

The major benefit sought in a product is used as the basis to classify consumers. High quality, low price, good taste, speed, sex appeal are examples of benefits. For example, some air travellers prefer economy class (low price), while others seek executive class (status and comfort).

(c) User Status:

Potential buyers may be classified as regular users, occasional users and non-users. Marketers can develop new products or new uses of old products by targeting one or another of these groups.

EFFECTIVE SEGMENTATION CRITERIA

Market segmentation is practised by most businesses in one form or another, as a way of streamlining their marketing strategy by dividing broad-based target markets into specific groups of consumers, and devising marketing methods that will appeal to each group.

Identifying viable segments

Clearly defined **market segmentation criteria** not only ensure that customers are more likely to identify – and purchase – the product that is right for them; it also minimises wastage of resources, reducing the time spent marketing the wrong products to the wrong customers. It is important, however, to focus resources on market segments whose size, growth and profitability is good, both immediately and in the long run. The following 5 market segmentation criteria should be useful when planning your own company's market segmentation strategy.

A market segment should be:

1. **Measurable**: Market segments are usually measured in terms of sales value or volume (i.e. the number of customers within the segment). Reliable market research should be able to identify the size of a market segment to a reasonable degree of accuracy, so that strategists can then decide whether, how, and to what extent they should focus their efforts on marketing to this segment.
2. **Substantial**: Simply put, there would be no point in wasting marketing budget on a market segment that is insufficiently large, or has negligible spending power. A viable market segment is usually a homogenous group with clearly defined characteristics such as age group, socio-economic background and brand perception. Longevity is also important here: no market segmentation expert would recommend focussing on an unstable customer group that is likely to disperse, or change beyond recognition within a year or two.
3. **Accessible**: When demarcating a market segment, it is important to consider how the group might be accessed and, crucially, whether this falls within the strengths and abilities of the company's marketing department. Different segments might respond better to outdoor advertising, social media campaigns, television infomercials, or any number of other approaches.
4. **Differentiable**: An ideal market segment should be internally homogeneous (i.e. all customers within the segment have similar preferences and characteristics), but externally heterogeneous. Differences between market segments should be clearly defined, so that the campaigns, products and marketing tools applied to them can be implemented without overlap.
5. **Actionable**: The market segment must have practical value – its characteristics must provide supporting data for a marketing position or sales approach, and this in turn must have outcomes that are easily quantified,

ideally in relation to the existing measurements of the market segment as defined by initial market research.

A good understanding of the principles of market segmentation is an important building block of your company's marketing strategy – the foundation for an efficient, streamlined and ultimately successful approach to customers, and a means of targeting your products and services accurately, with the minimum of wastage.

MARKET TARGETING

There are many statistical techniques for developing market segments. Once the firm has identified its market-segment opportunities, it must decide how many and which ones to target. Marketers are increasingly combining several variables in an effort to identify smaller, better defined target groups. Thus, a bank may not only identify a group of wealthy retired adults but within that group also distinguish several segments depending on current income, assets, savings and risk preferences.

a) Full Market Coverage:

A firm attempts to serve all customer groups with all the products they might need. Only very large firms such as IBM (computer market), General Motors (vehicle market), and Coca-Cola (nonalcoholic beverage market) can undertake a full market coverage strategy. Large firms can cover a whole market in two broad ways: through undifferentiated marketing or differentiated marketing.

In undifferentiated marketing, the firm ignores segment difference and goes after the whole market with one offer. It designs a product and a marketing program that will appeal to the broader number of buyers. It relies on mass distribution and advertising. It aims to endow the product with a superior image. Undifferentiated marketing is a marketing counterpart to standardization and mass production in manufacturing. The narrow product line keeps down costs of research and development production, inventory, transportation, marketing research, advertising, and product management. The undifferentiated advertising program keeps down advertising costs. Presumably, the company can turn its lower costs into lower prices to win the price sensitive segment of the market.

In differentiated marketing, the firm operates in several market segment and designs different products for each segment. Cosmetics firm Estee Lauder markets brands that appeal to women (and men) of different tastes: The flagship brand, the original Estee Lauder, appeals to older consumers; Clinique caters to middle aged women; MAC to youthful hipsters; Aveda to aromatherapy enthusiasts; and Origins to eco-conscious consumers who want cosmetics made from natural ingredients.

Emmis Communication owns three different radio stations in New York with three different distinct targets and positions: FM proclaims that it plays hip-hop (urban street music) and is popular with listeners in the under 25 crowd. WRKS-FM (98.7 KISS-FM) describes itself as offering the best variety of old school and todays R&B (rhythm and Blues), and appeals to older listeners. WQCD-FM (CD 101.9 is the country’s largest smooth jazz radio station and targets adults age 24 to 54, who want a radio to relax to and to listen to at work . If one of the formats falls out of fashion, the fact that the other stations tap into different market segments provides a potential buffer to ratings and sales.

b) Multiple Market Segmentation:

Instead of focusing on a target market as is the usual trend of companies to better position their product, multi-segment marketing aims at the market as a whole and attempts to maximize the reach in order to generate as many sales as possible. Companies adopting this type of marketing want to take advantage of each type of customer and for that they, divide the market and try to conquer the different segments with specific messages and promotional efforts. It is also called differentiated marketing.

Shifting the focus from your primary market segment to another segment may have various implications on the business. The customers may perceive it as a sign of drop in product quality or failure of product which is forcing you to enter a different segment. The marketing efforts are also not uniform but are spread across many segments.

For example- Car manufacturers may develop a luxury brand to attract customers who have aspirational needs and can afford it while come up with an economy brand for certain income levels. Honda Brio serves such customers while Honda CR-V is aimed at the higher end segment.

C) Single Segment Concentration:

Single-segment concentration refers to a business strategy wherein a company focuses only on a particular market segment. For example, Apple Inc. targeting only the smartphone market within the cell phone industry is single-segment concentration. Through such concentrated and niche targeting, companies acquire good knowledge about a particular market division and also create a strong business presence in the segment.

POSITIONIG

Positioning refers to the place that a brand occupies in the mind of the customer and how it is distinguished from products of competitors. In order to position products or brands, companies may emphasize the distinguishing features of their brand (what it is, what it does and how, etc.) or they may try to create a suitable image (inexpensive or premium, utilitarian or luxurious, entry-level or high-end, etc.) through the marketing mix. Once a brand has achieved a strong position, it can become difficult to reposition it.

Positioning is one of the most powerful marketing concepts. Originally, positioning focused on the product and with Ries and Trout grew to include building a product's reputation and ranking among competitor's products. Primarily, it is about "the place a brand occupies in the mind of its target audience". Positioning is now a regular marketing activity or strategy. A national positioning strategy can often be used, or modified slightly, as a tool to accommodate entry into foreign markets.

It can also be called product positioning, but that is a limiting description because it focuses on the product itself, while the positioning marketing technique focuses on the minds of the consumers.

Points of Parity:

Most brand strategists focus on developing points of difference that will give consumers good reasons to prefer their brand. The key to winning is assumed to be differentiation.

However, if there is a key "must have" dimension on which your brand is perceived to inadequately deliver, your brand will not be considered. You will not be a player, which means you have no chance of winning – no matter how compelling your point of differentiation is. It will not compensate for a fatal liability.

The solution? Change that liability into a point of parity (POP). In other words, change that liability so that on that dimension the brand is "good enough" to no longer exclude it from the conversation. The point of parity concept provides another perspective on how to make or keep a brand relevant. We'll discus two different points of parity you should consider experimenting with.

A category point of parity means that the brand offers necessary category features. A bank will not be suitable, for example, unless it offers adequate ATM service. At first, some German car manufactures resisted adding cup holders, believing that car purists would not want such distractions in their car. But this became a "must have" for many and they eventually had to add them. Jaguar executives saw their brand being irrelevant to those that wanted four-wheel drive. When that group hit 50 percent of purchases in their top geographic markets, Jaguar introduced an all-wheel-drive model. These vehicles were intended not to be superior to others but rather good enough to eliminate, for most buyers, the reason to exclude Jaguar from consideration.

A competitive point of parity is designed to negate a competitor's point of difference. A common brand problem is when the quality of the offering is not adequate in comparison to competition. In the 90s, Hyundai made inferior quality cars. But even in 2000, after fixing their quality problem, people still shunned the brand because of the bad quality perception. It took years, but through a variety of programs and communication channels, Hyundai found ways to communicate their increased quality levels and gained quality parity. Their quality was perceived to be good enough that attention could be turned to points of difference such as price, styling, gas mileage and warranty.

Points of Difference:

Point of difference refers to the factors of goods or services that establish differentiation. Differentiation is the way in which the goods or services of a company differ from its competitors. Indicators of the point of difference's success would be increased customer benefit and brand loyalty. However, an excessive degree of differentiation could cause the goods or services to lose their standard within a given industry, leading to a subsequent loss of consumers. Hence, a balance of differentiation and association is required, and a point of parity has to be adopted in order to allow a business to remain or further enhance its competitiveness.

a) Standing out from the competitors

By differentiating itself from competitors, a business might have greater potential income. Because having differentiated goods or services limits the choices of consumers, which drive them to purchase goods or services from a particular company. In addition to that, the threats brought by competitors would be lowered significantly, which means, by adopting differentiation strategy, it would allow businesses to be more competitive and be able to have a greater source of income.

b) Effects on brand loyalty

As the choices of consumers would be lowered significantly from differentiation strategy, consumers are unlikely to accept other variations without being convinced. Which means, it drives the consumers to lean towards a particular company, and establish a better relationship with the company. Thus, businesses would be able to take advantage from brand loyalty and further enhance the competitiveness.

Points of Parity (POP) VS Points of Difference (POD)

Points of difference and points of parity are both utilized in the positioning of a brand for competitive advantage via brand/product.

Points-of-difference (PODs) – The Attributes or benefits consumers strongly associate with a brand, positively evaluate and believe they could not find to the same extent with a competing brand i.e. points where you are claiming superiority or exclusiveness over other products in the category.

Points-of-parity (POPs) – Associations that are not necessarily unique to the brand but may be shared by other brands i.e. where you can at least match the competitors claimed best. While POPs may usually not be the reason to choose a brand, their absence can certainly be a reason to drop a brand.

While it is important to establish a POD, it is equally important to nullify the competition by matching them on the POP. As a late entrant into the market, many brands look at making the competitor's POD into a POP for the category and thereby create a leadership position by introducing a new POD.

POD refers to the way in which a company's product offers similarity with its competitors within an industry. It could also be known as the elements that are considered mandatory for a brand to be recognized as a legitimate competitor within a given industry.

As an excessive degree of differentiation would cause the goods or services losing its standard, but not having differentiation would not benefit businesses as well. Therefore, in order to avoid excessive differentiation, adopting point of parity would be the solution. In terms of offering similarities, businesses should look at the benefits and all the positive features of the competitor's product, and take advantage from it. At the same time, businesses could work on the negative aspects or even further enhance the positive features of the particular product in order to achieve differentiation, and to take advantage from it. Therefore, finding a balance between point of difference and point of parity is a critical factor for businesses to succeed.

Kevin Keller and Alice Tybout suggest that there are three types of difference: brand performance associations; brand imagery associations; and consumer insight associations. The last comes into play only when the others are at parity. Insight alone is a weak point of difference, easily copied. Putting these together, check their desirability, deliverability and eliminate contradictions.

Traditionally, the people responsible for positioning brands have concentrated on the differences that set each brand apart from the competition. But emphasizing differences isn't enough to sustain a brand against competitors. Managers should also consider the frame of reference within which the brand works and the features the brand shares with other products.

DAGMAR APPROACH

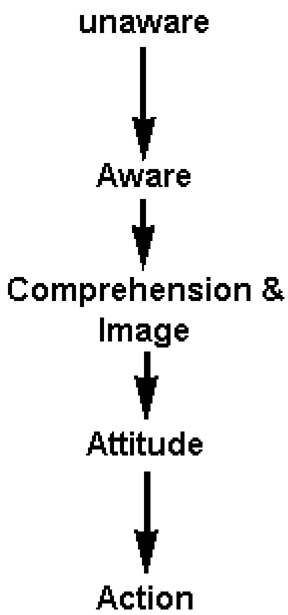
DAGMAR stands for Defining Advertising Goals for Measured Advertising Results. DAGMAR Model was developed by Russell Colley in 1961 for setting advertising objectives and measuring advertising results.

According to DAGMAR Model the ultimate objective of advertising involves a communication task, intended to create awareness, impart information, develop attitude and induce action.

Advertising objective is to carry a consumer through four levels of understanding:-

1. From unawareness to awareness - consumer must be aware of product or company,
2. Comprehension - what the product is and its benefits,
3. Conviction - mental conviction to buy the product, and
4. Action - finally buy the product.

Communication Process in DAGMAR Approach



1. **Awareness**

Before the purchase behaviour is expected from target audience it is necessary to make the audience aware with the product or company. The initial communication task of the advertising activity is to increase the consumer awareness of the product or offer.

2. **Comprehension**

Only Awareness is not sufficient to stimulate a purchase, sufficient knowledge and information about product or organisation is necessary. This step involves the target audience to learn something about product, organisation, or offer. Here communication task of advertising activity is to make consumer learn about product - product characteristics, benefits, or uses.

3. **Attitude or Conviction**

At this step a sense of conviction is established. By creating interest and preference, buyers are moved to a position where they are convinced that a particular product in the class should be tried at the next opportunity. At this step communication task of advertising activity is to mould the audience’s beliefs about the product and this is often done through messages that demonstrate the product’s superiority over a rival or by talking about the rewards as a result of using the product.

4. **Action**

Finally, communication must encourage buyer to engage in purchase activity.

Summary

The topic deals with the division of market based on various characteristics in order to yield more. This division is technically known as Market Segmentation. Segmentation may be done on the basis of clustering certain similar characteristics of people like Geography, psychography, Behaviour, Demography. It also suggests the criteria with which the effective segmentation of market can be carried out. As not all type of consumers would go for a particular product, each product has its target market. Thus, various ways of targeting the market has been discussed. It is crucial to know what place a brand or a product occupies in consumer’s mind. How the product is different from that of competitors’ is perceived over here. The point of parity (POP), point of difference (POD) and their difference has been discussed. Every product that enters a market needs to be known to the customers. This awareness has to be brought by the advertising of the same. The DAGMAR approach deals with the goals set for achieving measured advertising results