UNIT 3 MARKETS AND MARKET SEGMENTATION

Structure

3.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the meaning of a market
- state different types of markets and explain their characteristics
- describe the meaning and significance of market segmentation
- narrate the requirements for segmenting the markets
- explain various bases for segmenting markets.

3.1 INTRODUCTION

In Units 1 and 2 you have studied the meaning, nature and scope of marketing, and marketing environment. To be successful in your marketing efforts, it is essential to understand the characteristics of the market for your product, and concentrate your efforts on the segment where the prospects are bright. This is necessary because it is not practically possible to sell the same product to all the consumers, as all consumers may not have the same need or taste or buying capacity. In this unit you will study the meaning of a market, classification of markets and their characteristics. You will also study the meaning and importance of market segmentation, requirements of segmentation and bases of segmentation.

3.2 WHAT IS A MARKET ?

The term market has more than one meaning. The term market in common parlance refers to a place where several shops of buyers or sellers may be located. Economists use the term to refer to a collection of buyers and sellers who transact a particular product or a range of products: such as computer market, two-wheelers market, fashion goods market, etc. But marketers do not agree with economists as they consider the sellers as constituting the industry and the buyers as constituting the market. For marketers, a market consist of all the potential customers sharing a particular need or want who might be willing and able to engage in and exchange to satisfy that need as want. Thus to a marketer, a market is the set of all actual potential buyers of product. In this unit we will consider the definition of a Market given by the marketers. According to this definition, if 100 varieties of products are produced in the country, there are 100 distinct markets. In this regard market may be spread throughout the breadth and length of the country.

3.3 TYPES OF MARKETS AND THEIR CHARACTERISTICS

As you know, individuals buy various goods for their own consumption, business enterprises buy goods for reselling manufacturing concerns buy goods for further production, and so on. Thus, there are several types of buyers who buy goods and services by adopting different procedures and practices for securing, goods for different purposes. For proper understanding of the market, therefore, it is essential to classify the markets on the basis of the type of buyer group. As such, markets are classified into two broad groups. They are: 1) consumer markets and 2) organisational markets. Let us study these two types of markets in detail.

3.3.1 Consumer Markets

Here consumers mean all the individuals and households who buy goods and services for personal or household consumption. Thus, **the consumer market consists of all the individuals and households who buy or acquire goods and services for their own personal or household use.** They buy strictly to satisfy their non-business personal wants. For instance, a person purchases items such as toothpaste, soap, biscuits, sweets, etc., for his/her personal consumption or family consumption. But when an individual buys goods for resale or for further production, such an individual is not treated as belonging to the consumer market.

These ultimate consumers are large in numbers and spread throughout the country They also vary tremendously in age, income, educational level, tastes, preferences etc. Consumer purchases are influenced by cultural, social, personal, economic and psychological characteristics of the buyer. Buying decision process of consumers involves five stages: 1) problem recognition, 2) information search, 3) evaluation of alternatives, 4) purchase decision, and 5) post-purchase behaviour. You will study in detail about consumer market in Unit 4.

3.3.2 Organisational Markets

There are three types of organisational markets:

1) **Industrial Market:** It consists of all the individuals and organisations that buy or acquire goods and services that enter into the production of other products and services that are sold, rented or supplied to others. For example, a furniture manufacturing firm purchases raw materials such as wood, iron tubes cushions, cloth, etc., manufactures furniture, and sell it. Here the firm purchased **required raw material** to use in the manufacture of furniture which is meant for sale. The major types of industries comprising industrial markets are: 1) agriculture, forestry, and fisheries, 2) mining, 3) manufacturing. 4) construction, 5) transportation, 6) communication, 7) public utilities 8) banking, finance and insurance, and 9) services.

2) **Reseller Market:** It consists of individuals and organisations who acquire goods purchased by others and resell them either to industrial consumers or ultimate consumers. In the case of the sellers like small wholesale and retail organisations, buying is done by one or a few individuals. In large scale reselling organisations, buying is done by an entire purchasing department. When the resellers buy new items, they go through a buying process similar to the one shown for industrial buyers, which we will discuss later in this unit. Similarly, in the case of standard items, the buying process consists of routines for reordering and renegotiating contracts.

3) **Government Market:** It consist of government agencies (central, state and local bodies) who purchase goods for meeting the requirements of government. Government agencies buy an extensive range of products and services. Each product that the government buys require specific decisions related to how much to buy, where to buy, how much to pay, what services are required, etc. Normally, government buyers call for quotations/Lenders and favour the lowest-cost bidder who can meet the stated specifications. A unique thing about government buying is that it is carefully monitored by auditors and others. Several Committees of MPs and MLAs have exposed government extravagance and waste. Auditors and Comptroller General

also check whether proper procedure is followed in buying the goods or not. Many newspaper magazine groups also investigate to know how government agencies spend the public money. As government organisations are accountable to public, they strictly follow certain procedures which involves lot of paper work. A number of forms must be filled and approval of concerned authorities is required before purchases are made. Marketers have to find a way to cut through the red tape.

When we deal with organisational markets, we must take into account several considerations which are not normally found in consumer marketing.

1) Industrial organisations buy goods and services for the purpose of making profits or reducing costs. They prescribe their own product specifications, and buy those goods which meet such specifications and quality control norms.

2) In organisational buying more persons tend to participate in buying decisions than in consumer buying decisions. The decision-making participants usually have different organisational responsibilities and apply different criteria to the purchase decision.

3) The organisational buyers also follow formal policies and procedures established by their organisations.

4) The buying instruments such as request for quotations, proposals, purchase contracts, etc., add another dimension not found in consumer buying.

Main Features of Organisational Markets

Industrial markets have certain characteristics which distinguish them from consumer markets. These characteristics are described below:

1) **Fewer Buyers:** Normally organisational buyers are less in number compared with household consumers. Therefore, an industrial marketer normally deals with fewer buyers than does the consumer marketer. For instance, if a tyre manufacturing company wants to sell its tyres in the industrial market, it may concentrate on one of the big automobile manufacturing concerns. When the same firm wishes to sell tyres to consumers (vehicle owners) it has to contact a few lakh vehicle owners.

2) **Larger Buyers:** Organisational buyers normally require large quantities of goods whereas household consumers require smaller quantities. Thus, industrial buyers are large scale buyers. Even among industrial buyers a few large buyers normally account for most of the purchasing. In such industries as motor vehicles, telephone, soaps, cigarettes, synthetic yam etc., a few top manufacturers account for more than a substantial part of total production. Such industries account for a major share of raw material bought in the market.

3) **Geographical Concentration:** Organisational buyers are mainly concentrated in a few places like Bombay, Calcutta, Delhi, Madras, Bangalore, Pune, Hyderabad, etc., whereas consumers are spread throughout the country. Because of this geographical concentration of industrial markets, the marketers need not establish a marketing network throughout the country. This helps in reducing the cost of selling.

4) **Derived Demand:** The demand for industrial goods is ultimately derived from the demand for consumer goods. For instance, a shoe manufacturing company purchases leather and produces shoes. If there is good demand for shoes, then the company will buy more leather to produce more shoes to meet the increased demand. If the demand for shoes declines, demand for leather will also decline as the company produces lesser number of shoes. Thus, the demand for industrial goods is dependent on the consumer goods.

5) **Inelastic Demand:** The price elasticity of demand for many industrial goods and services is low, which means that the total demand is not much affected by price changes. For example, a shoe manufacturer may not buy more with the fall in the price of leather. But when the demand for his shoe is more, leather will buy more leather to produce enough number of shoes to meet the increased demand. Similarly, he will not reduce the quantity of leather purchased if the price of leather rises, unless there is a cheaper substitution to leather or there is a way to economise the leather consumption. Demand is especially inelastic in the short run because it is not easy to bring in changes in the production methods. Demand is also inelastic for industrial, goods that constitute a minor share in the total cost of the product. At the same time, producers will use price information to decide from which supplier to buy, although it will have less effect on the quantity bought.

6) **Fluctuating Demand:** The demand for industrial goods and services tends to be more volatile than for consumer goods and services. This is especially true of the demand for new plant and equipment. A given percentage increase in consumer demand can lead to a much larger percentage increase in the demand for necessary plant and equipment to produce the additional quantity in order to meet the increased demand. Economists refer to this as the acceleration principle.

7) **Professional Purchasing:** Most of the organisations have professionally trained in personnel in the purchasing division. Goods are purchased by these specialists. There are professional journals which provide information for the benefit of these professional buyers. Consumers, on the other hand, are less trained in the art of careful buying. In industrial purchasing, if the buying decision is complex it is likely that several persons will participate in the decision-making process. Purchase committees comprising technical experts and top management are common in the purchase of major goods.

8) **Miscellaneous Characteristics:** There are some additional characteristics of organisational markets:

i) **Direct purchasing:** Organisational buyers often buy directly from producers rather than through middlemen, especially such items which are technically complex and/or expensive.

ii) **Reciprocity:** Organisational buyers often select suppliers who also in turn buy from them. An example of this reciprocity may be a paper manufacturer who buys chemicals from a chemical company that is buying a considerable quantity of its paper. Even in this reciprocal buying, the buyer will make sure to get the supplies at a competitive price, of proper quality and service.

ii) **Leasing:** Industrial buyers are increasingly turning to equipment leasing instead of outright purchase. This happens with computers, machinery, packaging equipment, heavy construction equipment, delivery trucks, machine tools and automobiles. The leasee receives a number of advantages such as more capital goods with less investment, availability latest products, better servicing, tax advantages, etc. The leasor often gets larger net income, and can sell to customers who may not be able to afford outright purchase.

Major Types of Buying Situation: There are three types of buying situations followed by organisational buyers:

1) Straight rebuy from the same supplier, which is a fairly routine decision

2) Modified rebuy where you buy the same product with some more specifications, new terms of supply, etc. It requires some research placing a purchase order.

3) New task of buying which requires thorough research to identify the product suppliers and finalise the purchase contract.

Check Your Progress A

1) What is a market?

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2) Differentiate between consumer markets and organisational markets.

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3) Distinguish between industrial markets and reseller markets.

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4) State to which type of market the following transactions belong.

i) Cigarettes bought by a person for smoking.
ii) Soaps bought by a super bazar.
iii) Sugar bought by a sweet shop.
iv) Printing machine sold to a printing press.
v) Computers purchased by the Municipal Corporation of Delhi.
vi) Car tyres purchased by Maruti Udyog Ltd.
vii) Car tyres purchased by Mr. Satish.

3.4 WHAT IS MARKET SEGMENTATION?

Lack of homogeneity may be seen in the real world in both supply side and demand side. On the supply side, many factors, like difference in production equipment and processing techniques, difference in the nature of resources or inputs available to different manufacturers, progress among the competitors in terms of design and improvement, etc., account for the heterogeneity. As a result, imperfect markets in which firms lack uniformity in their size and influence) are common. This problem may be solved to some extent, by market segmentation.

Now the question is, what is market segmentation? As you know, a market refers to a set of all actual and potential buyers of a product. It means that buyers in the same market seek products for broadly the same function. But different buyers have different evaluative criteria about what constitutes the right product for performing the same function. For example, take the case of scooter market. Some buyers prefer Bajaj scooter, some prefer LML and others like Kinetic Honda. Thus, within the same market there are submarkets that differ significantly from one another. This lack of homogeneity within the same market may be due to the differences in buying habits, the ways in which the product is used, motives for buying, etc. Therefore, it is necessary to divide the market into homogeneous submarkets for successfully marketing the product. Market segmentation, thus, is the process of dividing the total market into one or more parts (submarkets or segments) each of which tends to be homogeneous in all significant aspects.

Based on the above discussion, now we can say that a market segment refers to a submarket (a part) of the market which is homogeneous in all significant aspects. The strategy of market segmentation involves the development of two or more different marketing programmes for a given product or service, with each marketing programme aimed at a different market segment.

A strategy of marketing segmentation requires that the marketer first clearly defines the number and nature of the customer groupings (market segments) to which he intends to offer his product or service. This is necessary (through not sufficient) condition for optimising efficiency of marketing effort against those segments of the total market where it is where it is likely to yield higher return on effort and investment.

The alternatives strategies market segmentation are: 1) undifferentiated marketing 2) differentiated marketing and 3) concentrated marketing. In **undifferentiated, marketing,** the marketer exposes only one product and tries to draw all buyers with one marketing programmes. **Differentiated marketing** involves designing of separate products and marketing programmes for each segment. Usually, this strategy is costly due to product modification costs, production cost, administrative costs, inventory costs and promotion costs. Unless the segments is substantial, these costs may prove to be a burden to the marketer. In **concentrated marketing,** the marketer concentrates all his efforts in one or a few lucrative segments only.

In general, homogeneous markets are best exploited by undifferentiated marketing. The differentiated or concentrated marketing is adopted in the case of heterogeneous markets. The stage of the product in its life cycle is also a relevant factor in this regard. Undifferentiated marketing or concentrated marketing may be adopted to develop primary demand at the stage of introduction. Even the strategy of concentrated marketing may be employed at this stage. At the saturation the differentiated marketing becomes necessary.

The concept of market segmentation should not be mixed up with the concept of product differentiation. These two are only related product strategies. Product differentiation is resorted in order to differentiate one's product from a competitor's product and thereby eliminate price competition. This strategy is usually adopted by companies selling standardised products (such as soaps) to a fairly homogeneous market. To reduce competition, many resort to both market segmentation and products differentiation. Market segmentation is resorted in order to penetrate a limited market in depth, while product differentiation is used to secure breadth in the market. It may be said that the product differentiation seeks to secure a layer of the market cake, whereas market segmentation strategy strives to secure one or more wedge-shaped pieces. Compared to product differentiation, segmentation of markets is only a transitory phenomenon.

3.5 IMPORTANCE OF MARKET SEGMENTATION

In marketing a product it is not possible to appeal to all buyers in that market. The buyers are numerous, widely scattered, and varied in their buying requirements and buying practices. Some competitors may be in a better position to serve a particular segment of the market. Each company has to identify the most attractive segment of the market which it can serve effectively. Accordingly, market segmentation has the following advantages:

1) You need not waste your marketing efforts over the entire area. You can concentrate on a specific segment and achieve better

2) As you are not treating all customers alike, you can take care of specific requirements of each segment more effectively.

3) It helps to pay proper attention to particular areas.

4) Market segmentation enables you to frame and adopt separate policies to meet the needs of the different buyer groups.

5) You can use the advertising media effectively by developing promotional programmes specifically for each segment.

6) More efficient use of the marketing resources is possible.

7) Each of the 4Ps of the marketing mix-(product, price, promotion and physical distribution) can be designed with the target market in mind.

3.6 REQUIREMENTS FOR SEGMENTING A MARKET

The variable on the basis of which the market is segmented should be capable of measurement and quantification. It should not be merely a subjective phenomenon. For this measurement, adequate data should be available or be capable of being collected. If the data is not available and not quantifiable, the segmentation will be difficult or unscientific.

The object of segmentation being effective direction of marketing efforts to specific segments, the segments themselves should be accessible through various channels of distribution advertising media, sales force, etc. If the accessibility is difficult, segmentation will become meaningless. The purpose of segmentation is, sometimes, to evolve separate marketing programmes or develop separate products to cater to the needs of separate segments of consumers. So the segments should be large enough to warrant such efforts. Otherwise, various diseconomies in production, marketing, inventory holding, etc., may arise. To be useful, market segments must exhibits the following characteristics:

Measurability: It is the degree to which the size and purchasing power of the segments can be measured. Certain segmentation variables are difficult to measure. For instance, it is difficult to measure the size of the segment of teenage smokers who smoke primarily to rebel against their parents.

Accessibility: It refers to the degree to which the segments can be effectively reached and served. Suppose, a perfume manufacturing company finds that the regular users of its brands are unmarried men who are out late at night and frequently visit bars. Unless this group of men lives in a specific locality or do shopping at certain places, for the company it will be difficult to identify them and reach them. When markets are segmented, each segment should be accessible and approachable.

Substantiality: The segments should be large enough to make efforts yield enough profits. A segment should be the largest possible homogeneous group worth going after with a definite marketing programme. For example, for an automobile manufacturer it may not be profitable to develop cars for a category of persons whose height is more than 7 feet, because the number of such persons will be few.

Actionability : It is the degree to which effective programmes can be formulated for attracting and serving the segments. A small tourist car operator, for example, identified seven market segments, but its staff was too small to develop separate marketing programmes for each segment.

3.7 BASES FOR SEGMENTATION

As you know, market segmentation means dividing the market into several homogeneous submarkets or segments. Now the question is: what is the basis of segmenting the market? In fact there is no single way to segment a market. A marketer has to try different segmentation variables to view the market structure,

You have learnt that the market can be broadly divided into two categories: consumer market and organisational market. But this is too broad a segmentation. We need to identify some of the widely used based for segmenting these two broad market segments i.e., organisations markets and consumer markets. Now let us start with the bases of segmenting consumer markets.

3.7.1 Bases for Segmenting Consumer Markets

Broadly, there are four bases for segmenting the consumer market. They are: 1) geographic, 2) demographic, 3) psychographic, and 4) behaviouristic factors. These are also presented in Figure 3.1.

Geographic Segmentation

Geographic segmentation calls for dividing the market into different geographical units such as nation, states, regions, cities, neighbourhoods, etc.. In this type of segmentation, the company decides to operate in one or a few geographical segments or operate in all but pay attention to variations in geographical needs and preferences.

Demographic Segmentation

Demographic segmentation consists of dividing the market into groups on the basis of demographic characteristics of consumers such as age, sex, family size, income, occupation, education, religion, race, nationality, etc. Demographic variables are the most popular bases for distinguishing customer groups. One of the reason for preferring demographic bases is that consumer wants, preferences and usage rates are often highly associated with demographic characteristics. Another reason is that demographic variables are easier to measure than most other types of variables even when the target market is described in non-demographic terms (say, a personality type), it should be linked back to demographic characteristics in order to know the size of the target market and to reach it effectively. Let us discuss how certain demographic variables can be applied to market segmentation.

1) **Age and life cycle stage:** Consumer wants and capacities change with age. For instance, children of six months age differ from children of three months age in their food requirements and consumption potential. A toy manufacturer realized this and designed twelve different toys to be used by babies sequentially as they grow from the age of three months to one year. This segmentation strategy enables customers to identify the appropriate toys suitable to their children by simply considering the age of the child.

2) **Sex:** Segmentation of markets based on sex has been followed in the case of production such as clothing, cosmetics, magazines, etc. Occasionally, marketers of other products also adopt sex as a basis of segmentation. In this context garments, toilet soaps and shoes markets are some good examples. Another industry that is beginning to recognize sex as a basis of segmentation is the two wheeler automobile industry. In the past, two wheelers were designed to appeal to the male. With the increase in the number of working women, some manufacturers are studying the opportunity to design scooters suitable for women.

3) **Income :** Income is another basis of segmenting the markets for automobiles, clothing, cosmetics and travel. Other industries occasionally, adopt this basis. However, at macro level the per capita income of a person or family can be a basis for segmentation. Accordingly, segmentation could be made in terms of low, middle and higher income groups. Price may be the sole criterion to fit into particular per capita income group. It is more so at the lower levels of income As the income goes up other non-economic considerations or bases have a greater influence.

Psychographic Segmentation

In psychographic segmentation buyers are divided into different groups on the basis of their social class, life style, personality characteristics, etc. People within the same demographic group can exhibit very different psychographic profiles. Let us understand about some of the psychographic bases of segmentation.

1) **Social class :** Social class has a strong influence on the person's preferences in cars, clothes, home furnishings, leisure activities, reading habits, and so on. Many companies design products and services keeping in mind specific social class and adopt the marketing strategies that appeal to that social class.

2) **Life style:** People's interest in various goods is influenced by their life styles. In fact, the goods they consume express their life style. Marketers of various products and brands are increasingly segmenting their markets by consumer life styles. For example,

a manufacturer of blue jeans may design jeans styled for a specific male group. Each group may require different jean designs, price advertising appeal, outlets, and so on. Unless the company identify the specific group and adopt a suitable marketing strategy, its jeans may not appeal to any one.

3) **Personality :** Marketers also use personality variables to segment markets. They design their products with appropriate brand images that correspond to consumer personalities.

Behaviouristic Segmentation

In behaviouristic segmentation, buyers are divided into groups on the basis of their knowledge attitude, use, or response to a product. Many marketers believe that behaviouristic variables are the best starting point for identifying market segments. In this category, the following bases are adopted to segment the markets.

1) **Occasions:** Buyers can be distinguished according to occasions when they get the idea of buying or make a purchase or use a product. For example, tourist travel is influenced by occasions related to festivals, vacations, etc. A tourist bus Operator can specialise in serving people during one of these occasions. Occasion segmentation can help firms build up product usage. For example, fruit juice may be commonly consumed during a tour. A juice producing company can promote its orange juice in tourist areas.

2) **User status :** Many markets can be segmented into non-users, ex-users, potential. users, first-time users and regular users of a product. Companies which enjoy the higher share of the market may be particularly interested in attracting potential users. Potential users and regular users require different kinds of marketing appeals.

3) **Usage rate:** Markets can also be segmented on the basis of extent of usage of the product as light, medium, and heavy user groups. This is also referred to as volume segmentation. Heavy users are often a small percentage of the market but account for a high percentage of total consumption.

4) **Loyalty status :** As you know, consumers are loyal to brands, stores and other entities. A market can also be segments by consumer loyalty patterns. Let us consider here brand loyalty. Suppose there are five brands A,B,C,D and E. Buyers can be divided into four groups according to their loyalty status. 1) **Hardcore loyalists** who buy one brand all the time. Thus, a buying pattern of A, A, A. A, A, A, represents a consumer with undivided loyalty to brand A. 2) **Soft-core loyalist** who are loyal to two or three brands all the time. Thus, a buying pattern of A, A, B, B, A, B, represents a consumer with a divided loyalty between A and B. 3) Shifting loyalists who shift from one brand to another. The buying pattern A, A, A, B, B, B, would suggest a consumer who is shifting brand loyalty from A to B. 4) **Switchers** who show no loyalty to any brand. The buying pattern A, C, E, B, D, B would suggests a non-loyal consumer. Each market

is made up of the above four types of buyers and to approach each buyer group, different marketing strategies are required. A brand-loyal market is one with a high percentage of the buyers showing hard core brand loyalty. Thus the toothpaste market seems to be fairly high brand-loyal market. Companies selling in a brand loyal market have a hard time gaining more market share, and companies trying to enter such a market have a hard time getting in.

5) **Attitude :** Consumers of a product can be classified by degree of their enthusiasm for the product. Five attitude classes can be distinguished : enthusiastic, positive, indifferent, negative, and hostile. If you adopt a door-to-door campaign for your product, sales personnel who are involved in the campaign can assess the attitude of the households and decide about the time to be spent with them. More time may be spent with enthusiastic prospects reminding them to buy. Trying to convince negative and hostile prospects would be a waste of time. To the extent that attitudes are correlated with demographic descriptions, the organisation can increase its efficiency in reaching the best prospects.

3.7.2 Bases of Segmenting Organisational Markets

Organisational markets can be segmented with many of the same variables used in segmenting the consumer goods markets. Organisational markets can be segmented geographically and by several behaviouristic variables, benefits sought, user status, usage rate, loyalty status, and attitudes. In particular, there are three commonly used bases: 1) type of customer 2) size of customer, and 3) type of buying situations.

Type of Customer

A common way to segment industrial markets is by end users. Different end users often seek different benefits and can be approached with different marketing mixes. As explained earlier, major types of industrial markets are: i) agriculture, forestry and fisheries, 2) mining. 3) manufacturing. 4) construction, 5) transportation, 6) communication, 7) public utilities, 8) banking, finance and insurance, and 9) services. This is an accepted classification known as Standard Industrial Classification (SIC) Code. Each of this type is further divided upto very minute. levels and, accordingly, directories of industries are published.

Customer Size

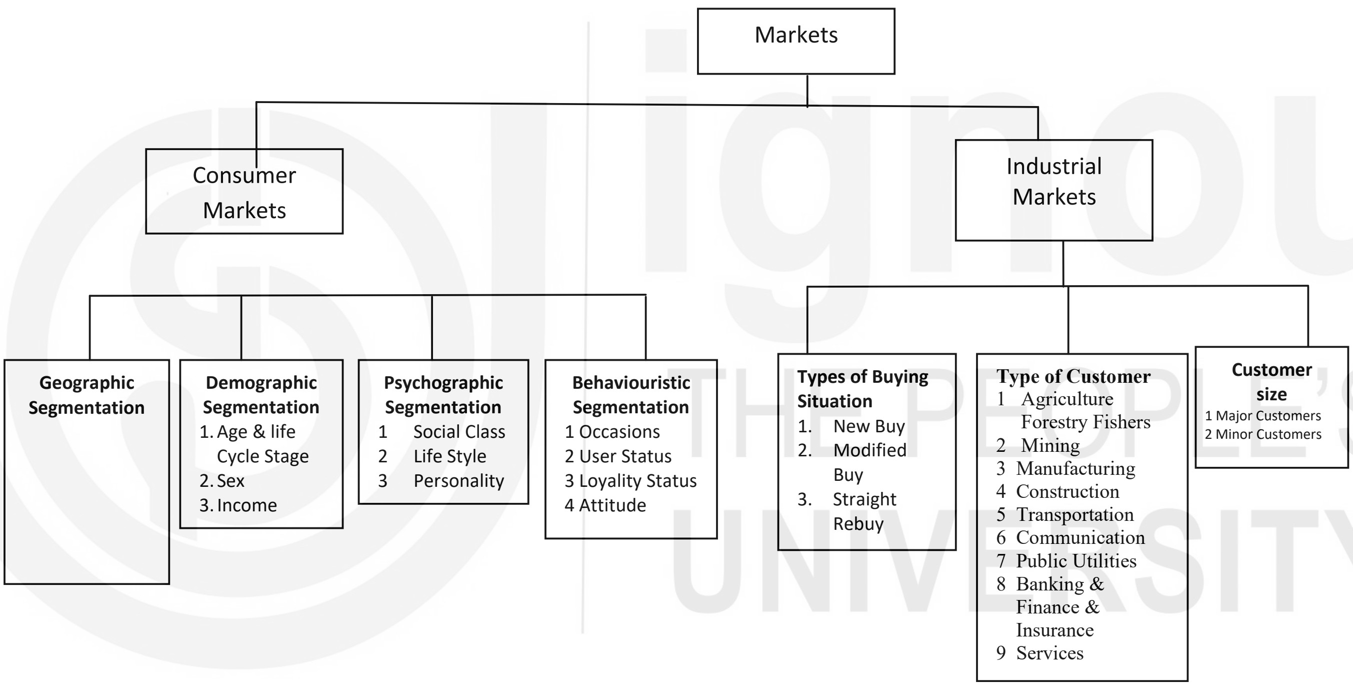
Customer size is another variable used for segmenting organisational markets. Many companies set up separate systems for dealing with major and minor customers. For example, Steel case, a major manufacturer of office furniture, divides its customers into two groups as major accounts and dealer accounts. Accounts of large and reputed companies come under major accounts. Such accounts are handled by national account managers working with district field managers. Smaller accounts are categorised as dealer accounts. These accounts are handled by the field personnel working with franchised dealers who sell steelcase products.

Type of Buying Situations

We have already identified three types of buying situations: 1) new buy, 2) modified buy, and 3) straight re-buy. These buying situations, as you know, are different from each other in a significant way. An industrial seller can segment his market on this basis of buying situations and adopt marketing strategies accordingly.

Look at Figure 3.1 carefully. It summarises the discussion on bases of segmenting the markets.

Figure 3.1 Bases of Segmenting the Markets



Check Your Progress B

1) What is the difference between market segmentation and market segment ?

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2) Differentiate between product differentiation and market segmentation.

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3) List the important bases of segmenting organisational markets.

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4) State whether the following statements are True or False.

   i) Market segmentation refers to classification of markets on the basis of the products.
   ii) A segment of a market is normally homogeneous in all significant aspects,
   iii) In undifferentiated marketing, the marketer concentrates all his efforts in one or a few lucrative segments only.
   iv) Market segmentation enables the marketer to identify and reach the target customer more effectively.
   v) Same bases can be used for segmenting industrial markets and consumer.

3.8 MARKET TAREGETING AND POSITIONING

By applying the learning from the market segmentation chapter, you as a business manager will be able to identify your firm's markets segment opportunities. These opportunities have to be evaluated to select either one or a number of strategically significant segments for launching your marketing program. It is a stage where the firm has to evaluate different segments and decide how many and which ones to target for . This method is called market targeting. A target market is defined as a set of buyers sharing common needs or characteristics that the company decides to serve. It is very important to select the target market to which the company decides to serve because knowledge about how the consumers decide, what are the criteria of buying products, the characteristics and life style of the targeted customers can help the marketers to develop a suitable marketing strategy. Every marketing strategy involves marketing expenditure and the return on a market program can only be identified if we are able to know the target market for which the marketing program is targeted. It is observed from research that a majority of the marketing expenditure is actually wastage of company resources as they are spent on non buyers. So an understanding of the nature and characteristics of the target market will help the marketer to derive higher returns on a marketing program. Knowledge on the target market and its growth and changes in attitude will help the marketer to modify and design new marketing programs for the success of the enterprise as a whole. Hence, an understanding of the target market and measurement of their attractiveness is a key decision in marketing.

3.8.1 Evaluation of Potential Targets → 3.6 (Same)

After the firm has identified the target markets, the next task is to evaluate the target segments. The marketing manager should look at five factors for evaluating each segment. They are: segment size and worth whileness, segment measurability, segment attractiveness, accessibility of the segment, company objectives and resources. The company should first collect and analyze data on size of the current segment, growth rates in the past and the likely rate of growth from the market indicators for the future on short term and long term basis, and expected profitability from each segment. One of the best ways to calculate the profitability is to find out through the calculation of response elasticity. Response elasticity can be calculated by taking past marketing expenditures as independent variable and the returns from the past marketing expenditures in different periods of time. A graph of response elasticity where responses (sales) on the Y-axis and the corresponding marketing expenditures on the X-axis is a sufficient indicator about the profit growth potential in each of the segments. The myth of marketing says that the fastest growing and largest size markets may not be so for a long period of time. Hence future profitability may slow down as more competitors will enter in to the business looking at the profit potential. So a marketer should be careful about this behaviour of the market. The segments identified should be also measurable from its size and market share from the potential market. The segments should also be evaluated from the point of view of accessibility as there may be a very attractive segment available but the cost to reach at that segment and serve the segment will be higher compared to segments where potential may seem moderate. The Indian rural market suffers from this problem of accessibility. The company should also evaluate the resources available for market coverage. If the company lacks the skill and resources then it should concentrate on markets geographically closer or with a higher density if potential customers in limited markets called a niche segment.

3.8.2 Market Targeting Strategies

You have learnt the meaning of targeting, let us now look at what are the various strategic options available to the marketers for targeting their products and services in the market. The targeting strategy will largely depend upon the kind of product market coverage that the firm takes for the future. The resources, capabilities and intent of the respective firms influence this product market coverage decisions. The product market coverage strategies are broadly classified as concentrated marketing, differentiated marketing and undifferentiated marketing. Let us learn them in detail.

Concentrated Marketing : When company resources are limited and the competition is intense enough that the marketing manager has to stretch the market budget for market coverage, the companies follow a concentrated marketing strategy. The company decides to cover a large niche than fighting for a small share in a large market. It is an excellent strategy for small manufacturers those can stay closer to the segment and cater to the emerging needs of a close loop customers. This helps them to gather market share in small markets against strong and large competitors. Through concentrated marketing firms can achieve strong market positions in the segments or niches they serve because of the greater knowledge of the target customers and the special reputation they acquire. Medimix was a regional brand with a very strong South Indian presence that helped them to go for a national launch in a latter period. The firms can enjoy operating economies because of the specialization in production, distribution and promotion, which can give a higher return on the investments also. Concentrated marketing strategy has its own share of risk also. Looking at the profit potential large competitors may decide to enter in to this market, which may ultimately lead to a take over bid by the large player in business.

Differentiated Marketing: In differentiated marketing strategy, marketers target several market segments and design separate offers for each segment. They target several segments or niches with a varied marketing offer to suit to each segment needs. For example, Maruti as an automobile company has the distinction of having products for different segments. Where as its Maruti 800 is targeted for the upcoming middleclass, the Baleno is targeted for the upper rich class people and Maruti Omni is targeted for large families. The main objective of offering varied marketing offer is to cater to different segments and get higher sales with a dominant position on each segment. Developing a stronger position within each segment creates more total sales than a mass marketing strategy across all segments. The risk involved in this kind of a marketing strategy is in the form of extra cost in marketing research, product development, different forecasting models, varied sales analysis, promotion planning and channel management. Trying to reach different market segments with different promotion plan involves higher promotion budget. Thus, the marketing manager has to decide the pay off between the higher cost and the higher sales due to such a strategy.

Undifferentiated Marketing: Marketers may go against the idea of a segmented market and decide to sale the product in the whole market. Here the marketing manager ignores the idea of segment characteristics differences and develop a marketing program for the whole market. This approach keeps the over all marketing costs low and makes it easier to manage and track the market forces uniformly. Here the marketer tries to find out the commonality across the segments rather than focusing on the differences. The company designs a marketing offer and a marketing program that will appeal to the largest number of buyers with a mass distribution and mass advertising program. The problem of this strategy lies in finding a common product and marketing program catering to large number of customers with different characteristics and interests. Here the marketer finds it difficult to fight with focused players in business.

Choosing a Product - Market Strategy

As mentioned earlier, the market coverage strategy largely depends on company's resources and ability to cater to the market. The best strategy also depends on the product variability. Undifferentiated marketing suits best to uniform products and commodities ke petrol, steel and sugar. The product's life cycle is also another important factor considered while selecting a market coverage strategy. At the Introductory stage of a product, the company will prefer a single product in an umidifferentiated market or concentrated market. In the maturity stage of the product life cycle, many players follow differentiated marketing strategy. If all the customers have uniform taste, buy the same amount and respond to a marketing program in the same way then market variability is minimum. So an undifferentiated marketing steg is most suitable. Every marketing manager should also look at the competitor's marketing strategy. If the competitor is following a differentiated strategy with specific offer for distinct segments then an undifferentiated marketing Strategy will be fatal to follow in the market but the vice versa is a suitable strategy for the marketer.

Check Your Progress-A

1 Distinguish between segmentation and market targeting.

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2 Distinguish between concentrated marketing and differentiated marketing.

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3 Explain the concept of segment evaluation.

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3.8.3 Positioning

After the company has decided its market targeting strategy, the next managerial challenge is to decide what position it wants to occupy in the selected segment(s). Kotler has defined product positioning as the way the product is defined by consumers on important attributes - the place - the product occupies in consumer's mind relative to competing products. Thus product's position reflects important attributes which a consumer gives to the product. It is the position in the perceptual space of the consumer's mind that the product takes in relation to competitor's products, which is often verbalized by customers on certain attributes. Product positioning depends on market structure, competitive position of the firm and the concepts of substitution and competition among products.

Product positioning reflects most of the features of the word position. For example, position of a place - what place does the product occupy in its market, a rank, how does the product fare against its competitors in various evaluative dimensions and a mental attitude - what are consumer attitudes i.e., the cognitive, effective and action tendencies towards the given product. Therefore product positioning should be assessed by measuring consumer's or organisational buyer's perceptions and preference for the product in relation to its competitors.

Brand positioning involves implanting the brand's unique benefits and differences in customer's mind. A Maggi noodle is positioned in Indian market as a convenience food, which can solve the frequent food demand of the growing kids. Dove soap is positioned as a premium brand in the market with high moisturizer content which can be used as a face wash also. Vicks Vapo-rub is positioned as a rub exclusively for the purpose of cold and cough relief.

3.8.3.1 Requirements for Positioning

There is a high decibel of marketing communication aimed at consumers of today. They are exposed to various level and type of communication through multiple media like newspaper, television, radio, internet and unconventional media like fairs, festivals, exhibitions, events and outdoor media. But the ability of the consumer to evaluate the information and remember all of them are limited by two factors. The consumer at a particular point of time pursues one consumption goal which makes other information redundant for him. Secondly, the ability of the consumer to process all the information is limited due to high level of distortion and poor retention rate in consumer's memory box. So consumers are overloaded with information in market place but consumer's intention and ability to process this information is limited. So to simplify the buying process and reduce the mental tension consumer's group information about competing products, and evaluate them on perceptual attributes depending on perceived quality to create distinct position in their mind. A product's position is the complex set of perceptions, impressions and feelings that consumers have for the product in comparison with the competing alternatives available in the market. They position with or without the help of the marketers. A successful marketer provides requisite information to the consumer while the consumer is still in the process of developing a position through company's marketing communication program. Therefore, a marketer can plan positions to his product and can create a sustainable competitive advantage for the product in the selected segments. Rest other marketing strategy can support the position that is capable of providing sustainable competitive advantage to the firm. Each firm must create a set of differentiation or unique bundle of benefits that appeals to a substantial segment of mine market place.

3.8.3.2 Positioning Process

A firm can decide a quality and price positioning in a single player situation as the customers do not have alternatives to compare with. However, it is observed that any successful positioning decision motivates the competitors to position their offerings in the same platform. Therefore, over a period product clusters are formed in the market with similar offerings. Instead of creating uniqueness in offer, this creates more confusion in the customer's mind and then a new position emerges in the market. Let us take Indian bathing soap category in to considerations. The market has more than fifty brands available in two distinct clusters viz. the Do Good category like Margo, Dettol and the Feel Good Category like Lux, Evita etc. Each one of these brands tries to create differentiation within the clusters by offering different brand values. But suddenly Fair and Lovely Launched a new category of shop which is a combination of Feel Good and Do Good variety and entered in to the market with its unique offering. The success of Fair and Lovely in the highly competitive market is attributed to identification of the competitive advantage and developing a marketing strategy based over that. A successful positioning strategy involves three steps: identifying a set of possible competitive advantages, upon which to build a position, choosing the right competitive advantage and selecting an over all positioning strategy. The company must then effectively communicate effectively and deliver the chosen position to the market.

Identifying Possible Competitive Advantages: The success of any marketing program largely depends on understanding the needs and characteristics of the target markets and delivering higher value to the customers in comparison to the competitor. When the company can position itself as providing superior value to customers, then we can say that the company has competitive advantage in the market place. If the company decides to position the product in the market as a superior product on quality dimension, then the brand should also deliver the same to the customers failing which there is likely to be consumer dissonance and subsequent rejection of the product by the customers. So positioning begins with differentiating the product on actual attributes so that the consumers will receive higher value than the competitor. A customer-oriented company can create a differentiation at all the stages of the value chain and not necessarily at the stage of product only.

A firm can create competitive advantage by deciding on the positioning in the industry, leveraging capabilities and neutralizing competition. The positioning in the industry is decided by identifying the entry barriers and attractive segments and understanding the nature of the competitive game played by each player. The technological capabilities which the firm adopts, the reputation of the firm and the country of origin in the global marketing environment. The capabilities should be unique in nature so that they will be difficult to replicate by the competitors and these capabilities should be widely applicable across all the offerings in a multi product or service environment.

The uniqueness of the capability will provide sustainable competitive advantage to the firm. The third aspect of creating competitive advantage is by neutralizing competition. Competition inherently has a tendency to grow on its own as the profitability will attract new and major players to enter in to the business and competition for existing players is susceptible to imitation. Neutralizing competition demands a strategic perspective, which starts identifying who are your rivals in business. There may be large number of players but the firm has to decide with whom he has to fight in the market for that segment (identify the strategic group). The manager should understand the capabilities of the competitors which can be neutralized through tactics (a sales promotion program for instance) or a sustained effort is necessary to develop a strategy to neutralize the competition The manager should try to create barriers to the imitation of his strategy.

Let us analyze the decision of Reliance Industries to enter in to the telecom business. To create competitive advantage and offer benefit the company invested heavily on the spread of optical fiber network in almost large part of the country. When everybody was using GSM technology, the firm decided to launch CDMA technology to have a technology advantage. As they decided to have an access through WLL, they targeted a larger market with a low cost pricing strategy e.g. making a call as low as forty paisa per minute to the customers. This created a sustainable competitive advantage for the firm as they do not have to take the lease from the carriers like BSNL and could bargain with competing carriers due to their own network facilitation benefit and due to technology advantage could stay at the top end of the market with a low price structure. Reliance has used all the three methods that we have discussed for creating competitive advantage in business of telecom in India, which needs huge investments for other firms to copy and save the firm from the imitation of the strategy.

A marketing offer can be differentiated based on the product, services, channels, people or image. Product differentiation is on a continuum. There are commodities that allow little variation, yet marketers can create differentiation. Chiquita as a company markets bananas all across the globe with a differentiation that its products are ripen on the tree and no artificial means are used for this and enjoys a premium in the market. On the extreme, we have highly differentiated products like automobiles, furniture and consumer durables that are differentiated for every product line and across all the manufacturers through the process of brand communication. The firms can differentiate products based on consistency, durability, reliance and precision.

Beyond differentiating at the physical level, firms can differentiate the accompanying services with the product. Companies like DHL talk about speedy delivery with accuracy and lesser damage and with convenience through home pick up for creating a differentiation in the courier service industry. Banks are differentiating their services based on twenty-four hour banking, ATMs, distributed customer interaction points and internet banking facility. Firms can create competitive advantage through channel differentiation by designing alternate channels through channel coverage, expertise and performance. Dell computer world wide created a competitive advantage through web based direct marketing and distribution model, which was difficult for many strong competitors to imitate in business.

Real Value, Eureka Forbes and Amway are examples of business success with channel differentiation. People differentiation is another method for building differentiation in marketing offerings. Many companies handle their internal customers and groom them so that they can deliver the same service with a differentiation. Customers rate Singapore Airlines in flight services better. It needs a careful selection of the customer contact staff that can impress upon the customers through a professional approach. Image differentiation is also possible for firms operating at different stages of the choice spectrum where a company or brand image should convey the product's distinctive benefits and positioning. Development of a strong and distinctive differentiation largely depends on creative strategy by the brand communication expert. An enduring and distinctive image positioning is possible through consistent communication and matching product performance. The Kodak (red and yellow), The Sargam Tea (Distinct Green), Wipro (with Rainbow and catch line "Applying Thought') are some of the stories of successful image differentiation in business.

Choosing the Right Competitive Advantage: After the identification of possible competitive advantages, the firm has to decide the best suitable one over which the positioning strategy will be based upon. Therefore, it should decide about the number of possible differences and which one in particular to promote.

Rosser Reeves has propounded about promoting a single difference on which the company has a distant advantage than its competitors. This strategy has come to be known as Unique Selling Proposition (USP). In the eighties Godrej refrigerator was promoted on the basis of one selling proposition called PUF which was unique to the brand at that point of time. While other refrigerators were selling with glass wool insulation Godrej introduced poly urethane foam (PUF) and had a distinctive advantage than its competitors. As we have said, the advantage should be such that it should be difficult for the competitor to copy, but a unique advantage always runs the risk of imitation and hence the firm will lose its competitive advantage very soon. In the case of Godrej, the competitors Voltas from the house of Tata and Allwyn entered in to the market with PUF and then the advantage was lost. Nevertheless, buyers tend to remember the number one always and hence the TOMA (Top of the Mind Awareness) test reveals about Godrej being identified with PUF slogan.

Other theory in marketing proposes that more than one difference should be promoted so that the flanker differences can take over as and when the major advantage is lost due to imitation. This strategy has come to be known as Extra Value Proposition (EVP). When the mass market is fragmented with many players and each holding a substantial amount of market share to influence the marketing decisions of other players, companies are trying to broaden their positioning strategies to appeal to more segments. BPL washing machines positioning strategy is based on the fundamentals of extra value proposition. While they talk about the fuzzy logic technology as the main advantage, still they promote the other value proposition supporting the product superiority like rotary compressor, digital power switching etc. The second proposition is mostly seen in white goods industry. But as companies develop large number of positioning differences they tend to lose unique positioning and suffer from the dilution of this distinctiveness in the consumer's perception and risk an element of disbelief.

A manager should always avoid three kind of positioning errors. They are under positioning, over positioning and confused positioning. Many times, it is observed that buyers carry very vague idea or no idea about the company and its brands where as the company may be promoting the brand. This is due to under positioning of the brand on the uniqueness platform. The company is not known for any distinctive product or service attribute. Contrary to this, managers tend to give too narrow a picture about the company to the customers making the consumer think that the company only makes that variety of the product. Suffola as a brand suffered in Indian market because of too a narrow positioning strategy where as its competitor Sundrop broadened the scope of the positioning which helped the later brand to capture a larger market share. Finally, managers should avoid the situation of confused positioning where the buyer is left with a high level of confusion about the brand. In multi-product situations, managers tend to make such mistakes and the positioning of the flanker brands does not stand in coherence with the master brand. It is apprehended that the current range of Ayush toiletries will create consumer confusion for Hindustan Lever, as they are not known for herbal formulations. They have to promote "Ayush" as a separate line of business.

All brand differences are not worthwhile for positioning and they do not necessarily carry same meaning to the consumers. Each difference has the potential of an additional cost of communication and an additional benefit of revenue due to distinct differentiation. A difference should satisfy the following criteria:

Distinctive: Competitors cannot offer or the company can offer better than the competitor can.

Superior: The difference is superior to other ways that the customers might obtain the same benefit.

Profitable: The manager can introduce the difference with a profit.

Preemptive: Competitors cannot imitate the difference easily.

Affordable: Buyers can afford to pay for the difference.

Communicable: The difference should be communicable and visible to the buyer.

Important: The difference delivers a highly values benefit to target buyers. 2.6.3.3

3.8.3.3 Selecting an Overall Positioning Strategy

The product position strategy is decided by analyzing the features of the product, price, usage, etc. Let us first learn the bases for the product positioning which are discussed below:

Alternative Bases for Positioning

Marketers use a number of alternative bases for positioning their products. While positioning a product, specific features may be highlighted. Price and specific performance features are used usually as a basis for positioning. Let us learn them in detail.

Positioning on Benefits, Problem Solution or Needs: In this positioning strategy, the marketer highlights the benefits of the product to the consumer. example, herbal cosmetics focus on natural products, no side effects, skin friendly, etc.

Positioning for Specific Usage Occasions: Here positioning is based on specific usage occasions. For example, Maggi 2 minutes noodles suggests preparation of snack as fast as possible..

Positioning for User Category: Product is positioned based on the category of the user. For example, Raymond's "The Complete Man'. Another example is Electrolux's fully automatic washing machine whose users are those whose hands are cleaned, lotioned and nail polished, and they are sophisticated and intelligent. They would consider it insulting and way below their manicured dignity to turn more than one knob.

Positioning against another Product: Both implicit and explicit positioning strategies are used against rival products. For example, Thomson presents "what is missing in other televisions". It focuses the features of Thomson without naming its competitor. This is an example of implicit positioning. Another examples are: attribute charts shown by cars and televisions which highlight their own features without naming their competitor's name.

In the explicit positioning, the product is positioned by comparing its superior features with other products. For example, before launch, Telco positioned Tata Indica by claiming the features as - Maruti Zen's size, Ambassador's internal dimensions, the price of a Maruti 800 and with running cost of diesel.

Production Class Dissociation : It is a less common positioning strategy. It is effective when a new product is introduced and it differs from the typical products in an established category. For example, at the brand level most successful anti product class positioning is that of 7-up with un-cola positioning.

Hybrid bases : In this strategy, marketers use a hybrid approach incorporating features from more than one bases for positioning. Consumers will buy products and services which gives them the highest possible value among all the available alternatives. Therefore, managers should position the brands in such a way that they offer the highest value to the consumers. The over all effect of the brand and its full positioning is termed as value proposition i.e. the net combination of all the brand benefits over which the brand is positioned. Probably the value proposition is weli answered by the consumer when he answers the reason of ownership of a particular brand. The consumer's possible answer may include: the value proposition alternatives like buying more for more money (premium positioning strategy), more for the same (comparable quality at a lower pricing point), The same for less (price performance positioning strategy), less for much less(lower performance at a lower price point proposition), More for less (high value proposition).

3.8.3.4 Communicating and Delivering the Chosen Positioning Strategy.

The managers should take the next step in communicating the selected position to the target audience. The marketing mix should support the desired positioning communication through integrated marketing communication. If the brand communication talks about a specific positioning proposition then the brand should deliver the same at trial as well as the adoption stage of the product. The marketing mix design involves the tactical execution of the strategic brand position decision. It is easier to find a good positioning platform but difficult to deliver the desired brand proposition as it involves coordination of the over all marketing function. A minor tactical failure may lead to loss of position built for the brand over a period. Rasna suffered in Indian market due to high level of brominized vegetable oil (BVO) content and lost its position as the largest soft drink concentrate brand of India. Therefore, after a company has built up the desired position, it should continue to monitor its position through continuous brand tracking and monitoring study. It is also necessary for the brand to evolve over a period with changing attitude and behaviour of the target consumer and changes in competitor's strategy. Any abrupt changes may also confuse the consumer. Therefore, a brand's position should evolve by adopting itself to the changing market dynamics.

3.8.4 Repositioning

Repositioning is a critical decision in marketing. The manager can go for repositioning due to two reasons viz. the failure of the current positioning strategy due to the three positioning mistakes like under positioning, over positioning and confused positioning, the opening up of another positioning opportunity due to evolution of the customers on value life cycle or emergence of new technology to redefine the structure of competition. Brand managers normally undertake brand tracking and monitoring studies to identify the gap between the desired positioning or stated position through brand communication and the perceived position by the customers. Any substantial gap in these two measures will warn the brand managers to go for a reposition decision. Similarly, the customers and their value expectation from a brand undergo change over a period. Brands, symbols and ideas prevalent in one period may not stand significant at a different time due to this value migration of customers. :

Therefore, a customer centric company will prefer to reposition the brand in this changing context. As we have already discussed the technology life cycle of a product also changes with every phase of innovation in product and its delivery to consumers. These kinds of changes demand repositioning of the product offer in the changing situation. So repositioning is necessary. Repositioning will follow the same process like that of positioning as discussed with suitable modifications on the selection of competitive advantage in the new context.

Check Your Progress-B

1 What do you mean by repositioning?

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2. Explain the concept of competitive advantage.

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3 Enumerate the process of positioning of a product.

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4. State whether the following statements are True or False:

   i) Positioning is a product driven strategy.

   ii) Competitive advantage should be always sustainable.

   iii) Brand tracking and monitoring helps in repositioning decisions.

   iv) Leveraging capabilities decreases the competitive advantage.

   v) The decision of positioning is a strategic decision.

3.9 LET US SUM UP

A market consists of people who are willing to buy and have the purchasing power and authority to buy. Thus, a market is a set of all actual and potential buyers of a product. Therefore, each product or service is said to have a market of its own. Basically, markets may be divided into consumer markets and organisational markets. Organisational markets can be further classified as industrial markets, reseller markets, and government markets.

Within the market for a product, there may be submarkets that differ significantly from one another. Therefore, it is necessary to divide the market into homogeneous sub-markets in order to develop appropriate marketing strategies. The process of dividing the total market into one or more parts, each of which tends to be homogeneous in all significant aspects, is referred to as market segmentation. Due to certain limitations of the producer, he has to concentrate only on one or a few segments of the market. To make your promotional and selling efforts more effective, you may have to select the appropriate market segment and concentrate on that segment. Such a segment will become your target market.

There is no single way to segment the market. The commonly used bases for segmenting the consumer markets are geographic, demographic, psychographic and behaviouristic characteristics of the consumers. Similarly, the organisational markets can be segmented on the basis of customer type, size of customer and type of buying Situation. Whatever base you may select, the bases should be measurable, the data and segment should be accessible and the segment should be large enough to be profitable.

Managers tend to define their market in specific terms through the method of target marketing. Target marketing involves three issues. These are market segmentation, market targeting and market positioning. The market targeting is done to find out the exact customers and learn their characteristics and response pattern to marketing program. By market targeting, a company can realize a higher return on investment as the effectiveness of the marketing program will increase. A market can be targeted through three methods. They are full market coverage, concentrated marketing and differentiated marketing. While full market coverage talks about delivering one product for the whole market without recognizing any significant difference in customer characteristics, differentiated marketing program regroups customers in to distinct groups and offers specific program for each market. Once the target markets are identified then the marketer should look in to the evaluation and selection of each segment for marketing profitability. Then the manager should decide about the positioning strategy of the firm.

The positioning strategy is an attempt by the marketer to create a situation by which the consumers will perceive the product differentiation and brand value delivery as superior to the competitors. A positioning decision is normally taken for creating a sustainable competitive advantage by the firm in the market place so that the competitors can not easily imitate the strategy and hence the firm will be able to generate higher profits. While positioning the brand in customer's mind the manager should be careful about the common mistakes of under positioning, over positioning and confused positioning. Failing in a positioning strategy leads a manager to reposition the brand again in the market through repositioning strategy. Brands and products need a constant monitoring in the market place so that the customer always receives an additional value compared to competitors due to brand ownership of the manager's brand.

3.10 KEY WORDS

Consumer Market: It consists of all individuals and households who buy or acquire goods and services for non-business personal consumption.

Government Market : It consists of governmental units which purchases goods and services for carrying out the main functions of government.

Industrial Market: It consists of all the individuals and organisations that buy or acquire Goods and services for the productions of other products and services that are sold. rented or supplied to others.

Markets: The set of actual and potential buyers of a product.

Market Segment: A segment of a market which is homogeneous in all significant aspects.
Market segmentations: The process of dividing the total market into one or more parts (sub-markets or segments) each of which tends to be homogeneous in all significant aspects.

Reseller Market : It consists of all individuals and organisations that acquire goods and services for the purposes of reselling or renting them to others at a profit.

Brand Positioning: It involves implanting the brand's unique benefits and differences in customer's mind.

Competitive Advantage: An advantage over competitors gained by offering consumer's greater value, either through lower prices or by providing more benefits that justify higher price.

Concentrated Marketing: When company resources are limited and the competition is intense enough that the marketing manager has to stretch the market budget for market coverage, the companies follow a concentrated marketing strategy.

Differentiated Marketing: When the marketers chose to target several segments or niches with a varied marketing offer to suit to each segment needs, it is called a Differentiated Marketing**.**

Positioning Strategy: It involves three steps: identifying a set of possible competitive advantages, upon which to build a position, choosing the right competitive advantage and selecting an over all positioning strategy. The company must then effectively communicate and deliver the chosen position to the market.

Product Position: The way the product is defined by consumers on important attributes. It is the position in the perceptual space of the consumer's mind that the product takes in relation to competitor's products, which is often verbalized by customers on certain attributes.

Segmentation Evaluation Criteria: They are segment size and worthwhileness, segment measurability, segment attractiveness, accessibility of the segment, company objectives and resources.

Target Market: A target market is defined as a set of buyers sharing common needs or characteristics that the company decides to serve.

Undifferentiated Marketing: Marketers may go against the idea of a segmented market and decide to sale the product in the whole market. Here the marketing manager ignores the idea of segment characteristics differences and develop a marketing program for the whole market

Value Proposition: The full positioning of a brand which includes the combination of all the benefits on which the brand is positioned.

3.10 ANSWERS TO CHECK YOUR PROGRESS

A) 4) Consumer markets i) reseller market iii) industrial market iv) industrial market v) government market vi) industrial market vii) consumer marker

B) 4 i) False ii) True iii) False iv) True v) False.

C) 4 i) False ii) True iii) True iv) False v)True

3.11 TERMINAL QUESTIONS

1) What is a market? Briefly explain various types of markets.
2) Examine the characteristics of organisational markets.
3) Explain the buying process of organisational buyers.
4) What is market segmentation? Explain the importance of segmenting markets.
5) Examine the different bases for segments markets, particularly consumer markets.
6) "Consumer is always a rational human being. Hence economic basis for segmentation is the most appropriate method". Do you agree? Give reasons.
7) Define market targeting and explain the procedure on how to target different markets.
8) What is competitive advantage? How can a competitive advantage be created for positioning the product?
9) How will you evaluate the potential of a target market?
10) What is value proposition? How managers can increase value proposition in a changing customer market?
11) Repositioning needs a continuous monitoring of the brand's performance in the market. Explain with suitable examples.

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the university for assessment. These are for your practice only.