<u>**Unit 2- Marketing Theory & Practices**</u>

Segmentation Concept, Basis of Segmentation

Segmentation means to divide the marketplace into parts, or segments, which are definable, accessible, actionable, and profitable and have a growth potential. In other words, a company would find it impossible to target the entire market, because of time, cost and effort restrictions. It needs to have a 'definable' segment – a mass of people who can be identified and targeted with reasonable effort, cost and time.

Once such a mass is identified, it has to be checked that this mass can actually be targeted with the resources at hand, or the segment should be accessible to the company. Beyond this, will the segment respond to marketing actions by the company (ads, prices, schemes, promos) or, is it actionable by the company? After this check, even though the product and the target are clear, is it profitable to sell to them? Is the number and value of the segment going to grow, such that the product also grows in sales and profits?

Description: Segmentation takes on great significance in today's cluttered marketplace, with thousands of products, media proliferation, ad-fatigue and general economic problems around the world markets. Rightly segmenting the market place can make the difference between successes and shut down for a company.

Segmentation allows a seller to closely tailor his product to the needs, desires, uses and paying ability of customers. It allows sellers to concentrate on their resources, money, time and effort on a profitable market, which will grow in numbers, usage and value.

Basis of Segmentation

Segmenting is dividing a group into subgroups according to some set 'basis'. These bases range from age, gender, etc. to psychographic factors like attitude, interest, values, etc.

Gender

Gender is one of the most simple yet important bases of market segmentation. The interests, needs and wants of males and females differ at many levels. Thus, marketers focus on different marketing and communication strategies for both. This type of segmentation is usually seen in the case of cosmetics, clothing, and jewellery industry, etc.

Age group

Segmenting market according to the age group of the audience is a great strategy for personalized marketing. Most of the products in the market are not universal to be used by all the age groups. Hence, by segmenting the market according to the target age group, marketers create better marketing and communication strategies and get better conversion rates.

Income

Income decides the purchasing power of the target audience. It is also one of the key factors to decide whether to market the product as a need, want or a luxury. Marketers usually segment the market into three different groups considering their income. These are

- High Income Group
- Mid Income Group
- Low Income Group

Place

The place where the target audience lives affect the buying decision the most. A person living in the mountains will have less or no demand for ice cream than the person living in a desert.

Occupation

Occupation, just like income, influences the purchase decision of the audience. A need for an entrepreneur might be a luxury for a government sector employee. There are even many products which cater to an audience engaged in a specific occupation.

Usage

Product usage also acts as a segmenting basis. A user can be labelled as heavy, medium or light user of a product. The audience can also be segmented on the basis of their awareness of the product.

Lifestyle

Other than physical factors, marketers also segment the market on the basis of lifestyle. Lifestyle includes subsets like marital status, interests, hobbies, religion, values, and other psychographic factors which affect the decision making of an individual.

Importance of Segmentation in Marketing

Benefits or importance of market segmentation can be better explained by below stated points:-

1. More Precise Definition of the Market

Segmentation improves company's understanding of why consumers do or do not buy certain products. Marketer can have very clear understanding of his consumers. He knows adequately about the market. He can formulate and implement marketing plan more successfully.

2. Maximum Customer Satisfaction

Marketer can cater needs of customers more effectively. Market segmentation is relevant to the modern marketing practices. It ensures both maximum satisfaction to consumers and maximum sales to the company. Maximum consumer satisfaction is the master key to solve any problem. Marketer can cater needs of customers more effectively. Customers can have products as per their needs; they can get better products or services at lower costs.

3. Effective Marketing Strategy

Market segmentation provides an opportunity to understand needs and wants of different segments of the market. This can help in formulating marketing mix/programme more meaningfully. Company can gain a maximum market response.

4. Essence of Modern Marketing

Market segmentation strategy fits with modern marketing philosophy. If the marketer wants to satisfy his valued consumers, market segmentation is the only option. It is an essential condition for the successful modern marketing practice.

5. Improved Profitability

On the basis of the study on needs of specific group of buyers, the products are manufactured. Company can attract distinct groups of buyers and can increase sales. An increased sale has positive impact on its profitability.

6. Optimum Use of Productive Resources

Market segmentation leads to effective use of the valuable resources. Resources are allocated and used exactly as per market needs, avoiding mismatching between what marketer offers and what the market needs. So, valuable resources like man, money, material, space, technology, time, etc., can be utilized more effectively.

7. Benefit of Specialization

It is easy to direct marketing efforts more clearly and specifically. Company designs its marketing programme for different products and for various groups of buyers. Specialization in production and marketing can offer a lot of benefits to the company.

8. High Competitiveness

As a result of market segmentation, a company can treat its consumers more effectively than competitors. It improves competitive strength of the company. Company can respond strongly to the competitor; can prevent the entry of competitors; or can defeat competitors. Company can create and maintain the loyal consumers for long period of time.

9. Collection of Valuable Information

Market segmentation process elicits a lot of valuable information for the company. Such information is instrumental for marketing research, product development, and evaluation of marketing activities. It is also useful for measuring effectiveness of sales and distribution facilities.

10. Identifying Market opportunity

Market segmentation helps establish close relations with specific groups of buyers. Close relations facilitate a continuous interaction between consumers and company. Consumers inform the company regarding changes in their needs, wants, and habits on a continuous basis or whenever asked. Thus, it is easy for a marketer to project the future trends. He can identify opportunities to be available currently or in the near future, and can plan accordingly.

11. Benefits to Society and Nation

Market segmentation, if taken objectively, can contribute to social welfare and national development. Basically, it is a consumer-oriented philosophy, and it results into a win-win-win approach, that is, company, society, and nation, all three, are benefited.

This can improve overall economic system by manufacturing the right products of the right quantity and quality for the right groups of consumers, made available continuously at the right price and place by the right distribution channel.

12. Benefits to Small Scale Industrial Units

We know that small-scale industrial units can function on a limited scale of operation. They can have only the limited manufacturing and marketing capacity. Industries working on a small-scale basis can take advantages of market segmentation. By concentrating on special demand of specific group of a limited number of consumers, they can afford products and get profitable market easily. They can compete with the large industrial units, too.

Targeting Concepts, Types and Importance

Target marketing involves breaking a market into segments and then concentrating your marketing efforts on one or a few key segments consisting of the customers whose needs and desires most closely match your product or service offerings. It can be the key to attracting new business, increasing sales, and making your business a success.

Targeting in marketing is a strategy that breaks a large market into smaller segments to concentrate on a specific group of customers within that audience. It defines a segment of customers based on their unique characteristics and focuses solely on serving them.

Instead of trying to reach an entire market, a brand uses target marketing to put their energy into connecting with a specific, defined group within that market.

Five Different Types of Targeting

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1. **Behavioral Targeting (aka audience targeting)**

Behavioral targeting is the practice of segmenting customers based on web browsing behavior, including things like pages visited, searches performed, links clicked, and products purchased. If you add mobile and physical store data into the mix, that can also include things like location, and in-store purchases. Visitors with similar behaviors are then grouped into defined audience segments, allowing advertisers to target them with specific, relevant ads and content based on their browsing and purchase history. An oft cited example of behavioral targeting is retargeting ads.

2. **Contextual Targeting**

Contextual targeting involves displaying ads based on a website's content. Think: placing an ad for dishware on a recipe site, or an ad for running shoes on a running forum. It's kind of like the digital version of placing a print ad in a niche magazine. It works based on the assumption that someone reading a page about running is likely to also be interested in your ad for sneakers.

3. **Search Retargeting**

Search retargeting is when you serve display ads to users as they browse the web based on their keyword search behavior. Campaigns are set up with keywords that you choose and that are relevant to your business or products. For example, if you are a furniture retailer, you might want to serve display ads to users who have searched for "leather couch", or "leather sectional". This kind of advertising is successful because it uses intent to connect with shoppers. The shopper may or may not know about you, but they are showing interest in a product or solution that you offer. Think of this as an upper funnel, prospecting strategy.

4. **Site Retargeting**

Site retargeting, also known as just "retargeting", involves showing display ads to users who visited your site and then left without completing a purchase to browse elsewhere. It differs from search retargeting in two important ways: it is not keyword based, and it is targeting people who are already familiar with your brand, or who at least have visited your site once and showed interest in your offerings. Because of this brand recognition, the ROI of site retargeting is often extremely high. Think of this as a lower funnel, conversion focused strategy.

5. **Predictive Targeting**

Predictive targeting uses all of the web browsing data from behavioral targeting, layers in 3rd party data (if available), and applies powerful AI and machine learning to analyze the data and predict future buying patterns based on past behaviors. The AI that powers predictive targeting can make connections between behaviors, identify similar and related products for upselling and cross-selling, and zero in on the shoppers most likely to convert at any given time—all in an instant. And the more data it analyzes, the more it learns and the better its models become.

Importance of Targeting

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Targeting in marketing is important because it's a part of a holistic marketing strategy. It impacts advertising, as well as customer experience, branding, and business operations. When your company focuses on target market segmentation, you can do the following:

1. **Speak directly to a defined audience**

Marketing messages resonate more deeply with audiences when readers can relate directly to the information. Brands that have a large, varied market of customers often struggle with creating marketing campaigns that speak directly to their audience. Because their viewers are very different, few slogans or stories can resonate with each person on a personal level. Through target marketing, you can alleviate this problem and focus on crafting messages for one specific audience.

2. **Attract and convert high-quality leads**

When you speak directly to the people you want to target, you are more likely to attract the right people. Your marketing will more effectively reach the people most likely to want to do business with you. When you connect with the right people, you are then more likely to get high-quality, qualified leads that will turn into paying customers.

3. **Differentiate your brand from competitors**

When you stop trying to speak to every customer in your market and start focusing on a smaller segment of that audience, you also start to stand out from competitors in your industry. When customers can clearly identify with your brand and your unique selling propositions, they will choose you over a competitor that isn't specifically speaking to or targeting them. You can use your positioning in marketing to make your brand more well-known and unique.

4. **Build deeper customer loyalty**

The ability to stand out from competitors by reaching your customers on a more personal, human level also creates longer-lasting relationships. When customers identify with your brand and feel like you are an advocate for their specific perspectives and needs, they will likely be more loyal to your brand and continue to do business with you over a longer period of time.

5. **Improve products and services**

Knowing your customers more intimately also helps you look at your products and services in a new way. When you have a deep understanding of your target audience, you can put yourself in their shoes and see how you can improve your offerings. You can see what features you can add to better serve your customers.

6. **Stay focused**

Finally, the benefit of using targeting in marketing is that it also serves to help your brand and team. Target marketing allows you to get more specific about your marketing strategies,

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initiatives, and direction of your brand. It helps you clarify your vision and get everyone in the organization on the same page. You have more direction when it comes to shaping upcoming plans for both marketing and the business as a whole. A focused approach helps you fully optimize your resources, time, and budget.

Positioning Concept & Importance

A marketing strategy that aims to make a brand occupy a distinct position, relative to competing brands, in the mind of the customer. Companies apply this strategy either by emphasizing 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 advertising. Once a brand is positioned, it is very difficult to reposition it without destroying its credibility. Also called product positioning.

Positioning is defined as the act of designing the company's offering and image to occupy distinctive place in the target market's mind. A simple example of positioning would be If I say An expensive TV, what comes first to your mind probably will be A Sony or A Samsung TV whereas if i say a cheaper or VFM TV (value for money TV) you might think of an Onida or a Videocon.

The main points that you should remember are:

- Positioning is the final part of the SEGMENT – TARGET – POSTION or STP process
- Positioning is undoubtedly one of the simplest and most useful tools to marketers.
- Positioning is all about 'perception'. As perception differs from person to person, so do the results of the positioning map e.g. what one perceive's as quality, value for money in terms of worth, etc, will be different to any other person's perception. However, there will be similarities in certain cases.
- After segmenting a market and then targeting a consumer, next step will be to position a product within that market. It refers to a place that the product offering occupies in consumers' minds on important attributes, relative to competing offerings. How new and current items in the product mix are perceived, in the minds of the consumer, therefore re-emphasizing the importance of perception!! New Product-need to communicate benefits.

Importance of Positioning

1. **To Make Entire Organization Market-oriented**

Product positioning is a part of the broader marketing philosophy. It concerns with identifying superior aspects of product and matching them with consumers more effectively than competitions. This philosophy makes the entire organization market oriented.

2. **To Cope with Market Changes**

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Once the product is positioned successfully doesn't mean the task of manager is over. He has to constantly watch the market. As per new developments in the market place, new competitive advantages should be identified, discovered or developed to suit the changing expectations of the market. It makes the manager active, alert and dynamic.

3. To Meet Expectation of Buyers

Generally, the advantages to be communicated are decided on the basis of expectations of the target buyers. So, product positioning can help realize consumers' expectations.

4. To Promote Consumer Goodwill and Loyalty

Systematic product positioning reinforces the company's name, its product and brand. It popularizes the brand. The company can create goodwill and can win customer loyalty.

5. To Design Promotional Strategy

More meaningful promotional programme can be designed. Based on what advantages are to be communicated, appropriate means are selected to promote the product.

6. To Win Attention and Interest of Consumers

Product positioning signifies those advantages that are significant to consumers. When such benefits are promoted through suitable means of advertising, it definitely catches the interest and attention of consumers.

7. To Attract Different Types of Consumers

Consumers differ in terms of their expectations from the product. Some want durability; some want unique features; some want novelty; some wants safety; some want low price; and so on. A company, by promoting different types of competitive advantages, can attract different types of buyers.

8. To Face Competition

This is the fundamental use of product positioning. Company can respond strongly to the competitors. It can improve its competitive strength.

9. To Introduce New Product Successfully

Product positioning can assist a company in introducing a new product in the market. It can position new and superior advantages of the product and can penetrate the market easily.

10. To Communicate New and Varied Feature Added Later on

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When a company changes qualities and/or features of the existing products, such improvements can be positioned against products offered by the competitors. Product positioning improves competitive strength of a company. Normally, consumers consider product advantages before they buy it. So, product positioning proves superiority of company's offers over competitors. It may also help consumers in choosing the right product.

Brand Positioning

Brand positioning refers to "**target consumer**'s" reason to buy your brand in preference to others. It is ensures that all brand activity has a common aim; is guided, directed and delivered by the brand's benefits/reasons to buy; and it focusses at all points of contact with the consumer.

Positioning creates a bond between the customer and the business. It's that friend of the customer who'll always stay in their subconscious mind and will make them recall about the company whenever they hear about the any of its product or a particular feature which makes it stand out.

Examples of Brand Positioning

- Colgate is positioned as protective.
- Patanjali can be trusted as it is fully organic.
- Woodland is tough and perfect for outdoors.
- Coca-Cola brings happiness.
- Axe deodorants have a sexual appeal.

Characteristics of a Good Brand Positioning Strategy

- **Relevant:** The positioning strategy you decide should be relevant according to the customer. If he finds the positioning irrelevant while making the purchase decision, you're at loss.
- **Clear:** Your message should be clear and easy to communicate. E.g. Rich taste and aroma you won't forget for a coffee product gives out a clear image and can position your coffee brand differently from competitors.
- **Unique:** A strong brand positioning means you have a unique credible and sustainable position in the customers' mind. It should be unique or it's of no use.
- **Desirable:** The unique feature should be desirable and should be able to become a factor which the customer evaluate before buying a product.
- **Deliverable:** The promise should have the ability to be delivered. False promises lead to negative brand equity.
- **Points of difference:** The customer should be able to tell the difference between your and your competitor's brand.
- **Recognizable Feature:** The unique feature should be recognizable by the customer. This includes keeping your positioning simple, and in a language which is understood by the customer.
- **Validated by the Customer:** Your positioning strategy isn't successful until the time it is validated by the customer. He is the one to decide whether you stand out or not. Hence, try to be in his shoes while deciding your strategy.

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How to create a strong brand positioning strategy?

Before you decide your brand positioning, ask yourself these three questions.

- What does my customer want?
- Can I promise him to deliver it better and/or differently than my competitors?
- Why will they buy my promise?

What does my customer want?

Not everyone in the market is your customer. You need to divide the market into 'my customer' and 'not my customer'. This way, it'll be easier for you to know what exactly is your customers' wants are.

The division should be followed by you trying to be in your customers' shoes. A good businessman speaks in the voice of the consumer.

Your research should not be based on secondary data. You should go out and look for what the customer actually wants, make the product fit those wants, and they'll buy it.

Be Better and/or Different

If it's not just you who is in the market, you've got to find a way to deliver your promise better and/or differently than your competitors. Make a brand which has a recall, which comes to the customer's minds when they hear about the particular product category or the feature you're offering. Every time I hear about girls being attracted by a deodorant, I get an image of Axe deodorants in my mind.

Give them a *reason to buy* your promise.

Your promise should be one of the factors they consider while buying the product. Use this trick

- Decide your product
- List its various characteristics
- Do a research, and
- Divide the characteristics into essential and add-ons.
- Select only those categories, be it essential or add-ons, which customers consider while making a purchase. (E.g. aesthetics, fragrance, taste, shape, cost, etc.)
- Find out what among these categories can you provide better than the competitors.
- Whatever you decide, don't lose your focus from the essential characteristics. (E.g. Taste will always be most important characteristic which a customer consider while buying a food product)
- Provide your unique feature along with the essential characteristics.

Repositioning

Repositioning is defined as altering the position of a brand or product in the minds of the customer relative to the offerings of the competitive product. It is a very subtle and difficult process as the brand needs to change the target market's understanding of the product.

The brand positioning of any brand is based on the target market, the benefits to the customers and the market situation. The brand positioning for any brand should be unique and should set apart a brand from its competitors.

Reason for Repositioning

The company decides for the repositioning of the brand due to low or declining sales because of increased competition in the market, loss of the customers, retarded benefits, innovation or better technology. The actual reason for declining sales could be faulty brand positioning, poor distribution or poor promotional strategy.

How to Reposition

When a company repositions its brand it needs to alter the expectations of all its stakeholders, including shareholders, investors and employees along with the customers. A firm can reposition a product line, brand or an entire organisation while sticking to the values of the firm. It requires strong determination and dedication of all the stakeholders to survive a volatile change in the brand's positioning.

Steps

1. **Analyse the current status of the brand**

The history of the brand and the how the brand has evolved needs to be analysed. Now the company needs to look at the sales, market share, competition, challenges, benefits, customer behaviour, industry performance etc.

2. **Consumer perception**

A market research should be conducted to get the insights about the loyalty, purchase behaviour and growth rate of the company. The survey can be conducted through mailers, questionnaires, email or interviews.

3. **Developing the repositioning strategy**

The process will develop objectives, brand's mission, vision and values that it offers to the customers.

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