

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

4.10 TERMINAL QUESTIONS

1. What do you mean by buyer behaviour? Why is understanding of buyer behaviour important for marketers?
2. Describe Maslow's hierarchy of need theory. Discuss its significance for understanding the buyer behaviour.
3. Do you agree that people do not want to divulge their real motives in the purchase of certain products and services? If yes, explain the psychoanalytical theory of personality and give examples from your own experience in what types of products this theory is applicable and why?
4. From the concept social class as given in the text do you think it is applied in certain buying situations. If yes, identify the products in which this concept is most relevant.
5. How do perception and learning influence the buyer behaviour? Elaborate with the help of suitable examples.
6. "Consumers are being influenced by a number of psychological factors in the purchase of products and services". Discuss these factors briefly.
7. Analyse the personal factors which influence buyer behaviour. Give suitable examples.
8. Why are social factors important for understanding buyer behaviour? Discuss various social factors which influence the buyer behaviour.
9. Explain various cultural factors which influence buyer behaviour.
10. Discuss various stages involved in the buying decision process.
11. Give your answer with suitable examples.
 - i) Discuss the role of family members in the purchase of consumer durable products.
 - ii) Describe various sources of information and their role in the buying decision process.
 - iii) Taking help with the evaluation process discussed in this unit describe the evaluation of alternatives for deciding the choices set for various brands of cars.
 - iv) Based on your experience what actions have you taken both in case of satisfaction and dissatisfactions from the use of various products. Give reasons.
12. Write notes on :
 - i) Types of buying behaviour situations
 - ii) Types of consumers
 - iii) Freud's psychoanalytical theory of personality

UNIT 5

MARKETS AND MARKET SEGMENTATION

Structure

- 5.0 Objectives
- 5.1 Introduction
- 5.2 What is a Market?
- 5.3 Types of Markets and their Characteristics
 - 5.3.1 Consumer Markets
 - 5.3.2 Organizational Markets
- 5.4 Meaning and Concept of Market Segmentation
- 5.5 Importance of Market Segmentation
- 5.6 Requirements of Effective Market Segmentation
- 5.7 Bases for Market Segmentation
 - 5.7.1 Bases for Segmenting Consumer Markets
 - 5.7.2 Bases for Segmenting Organizational Markets
- 5.8 Micro Segmentation and Mass Customization
- 5.9 Let Us Sum Up
- 5.10 Key Words
- 5.11 Answers to Check Your Progress
- 5.12 Terminal Questions

5.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the meaning of market;
- discuss different types of markets and explain their characteristics;
- describe the meaning and significance of market segmentation;
- describe requirements for effective market segmentation;
- explain various bases for segmenting consumer and organizational markets; and
- describe the concept of micromarketing and mass customization.

5.1 INTRODUCTION

From the study of the previous four units you must have understood various aspects of marketing management. You may be aware by now that basic purpose of a company's marketing department is to perform "three S" for its consumers. The first S stands for *sensing* the consumer, the second S stands for *sewing* the consumer, and the third S stands for *satisfying* the consumer. In doing so the marketer is basically looking towards its market, which is the set of actual and potential buyers of a product with want satisfying products and services. To be successful in its marketing efforts a company should understand the characteristics of the market in order to sense, serve and satisfy its consumers-market with its products. In this unit, you will learn the meaning of a market, types of markets and their characteristics.

5.2 WHAT IS A MARKET?

The term market has many meanings and connotations. Originally the term market stood for the place where buyers and sellers gathered to exchange their goods, such as a village bazaar. Another popular way of describing a market is in the context of a particular place where several shops or buyers or users may be located. For example, Connaught Place is considered a market in New Delhi. Economists use the term market to refer to a collection of buyers and sellers who transact a particular product category or a range of products such as computer market, two-wheelers market, car 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.

From the marketing point of view it can be defined as group of people or organisations with needs to satisfy, money to spend, and the willingness to spend it. It can be identified by some common characteristic, interest, or problem; use a certain product to advantage; and be reached through some medium. However, within a total market there is always some diversity among the buyers. The size of the market depends on the number of people who exhibit the need, have resources to engage in exchange and are willing to offer these resources in exchange for what they want. Within the same general market there are groups of customers with different needs, buying preferences, or product-use behaviour. In some markets these differences are relatively minor, and the primary benefit sought by consumers can be satisfied with a single marketing mix. In other markets customers are unwilling to make the compromises necessitated by a single marketing mix. As a result different marketing mixes are required to reach the entire market. Whether it is large or small, the group of consumers (people or organizations) for whom the seller designs a particular marketing mix is a *target market*. Thus a target market refers to a group of people or organizations at which a firm directs a marketing program with a specific marketing mix. For example, Maruti Udyog, the market leader in passenger car market, focuses on one target market for its Maruti 800, for Zen it has another target market, for Esteem it considers yet another target market, and for Baleno it is targeting a different target market. Therefore, a company may have different target markets for its various brands in the same general market in a product category. For each target market the company has to develop distinct marketing program if it wants to succeed in that target market.

5.3 TYPES OF MARKETS AND THEIR CHARACTERISTICS

We as consumers, buy various goods and services for our own consumption or use in our daily life. In the same way business enterprises buy innumerable goods and services for the purpose of using them in manufacturing process, helping in manufacturing process, for running the business, and reselling them to the final consumers. For proper understanding of the markets, 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 categories. They are: consumer markets and organizational markets. Let us study these two types of markets in detail.

5.3.1 Consumer Markets

Here consumers mean all the individuals and households who buy goods and services for their 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 needs and wants. For example, you purchase items such as toothpaste, soap, biscuits, sweets etc., for your personal consumption or your family consumption. But when an individual or organization buys goods for resale or for further production, such an individual or organization 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. In Unit 4 we have discussed in detail that buyers are influenced by a host of factors *in* purchasing various products and services. These factors are cultural, social, personal, economic and psychological characteristics of the buyer. You may also recall while buying different products and services a buyer typically goes through five stages of buying decision process. These five stages are: problem recognition or need arousal, information search, evaluation of alternatives, actual purchases decision and post-purchase behaviour.

5.3.2 Organizational Markets

It is generally considered that business organizations engage in selling their products and services to their consumers. This is true, but they also buy vast quantities of raw materials, manufactured components, plants and equipments, supplies, and business services. Thousands of business, institutional, and government organizations represent a huge, lucrative buying market for goods and services purchased from both domestic and international suppliers. In fact, organizational markets involve many more rupees and items than do consumer markets.

Today most of the large companies, in addition to selling their products to the consumer market, sell to other organizations. Many industrial goods manufacturing companies sell most of their products to other business organizations. Even large consumer goods manufacturers engage in organizational marketing. For example, MRF, the leading manufacturer of various types of tyres, in addition to selling to the ultimate consumers it also sells tyres to different automobile companies who manufacture different types of vehicles. Organizational market purchases goods and services to achieve specific goals, such as making money, reducing operating costs, and satisfying social or legal obligations. The organizational market comprises all the organizations that buy goods and services for use in the production of the other products and services that are sold or rented, or supplied to other customers or used by themselves for running the organization.

Marketing various products and services to organizations is different from marketing to consumer market. The unique considerations of organizational market, which are not present in consumer markets, are:

- Organizations do not buy for personal consumption but to obtain goods and services that will be used in further production, reselling or servicing.
- More persons are normally got involved in organizational buying, especially for major items, than in consumer buying.
- The organization imposes policies constraints, and requirements that must be kept in mind by its sellers.
- The buying instruments, such as request for quotations, proposals, and purchase contract, add another dimension not found in consumer buying.

Types of Organizational Markets

There are four types of organizational markets: the industrial market, the reseller market, the government market, and the institutional market.

- a) **The Industrial Market:** It is also called producer or business 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. The major industries making up the organizational market are agriculture, forestry and fisheries; mining; manufacturing; construction; transportation; communication; public utilities; banking; finance, and insurance; distribution; and services. For example, Maruti Udyog purchases large number of raw materials, component parts, machinery, and supplies. After manufacturing different brands of passenger cars it sells to final consumers and organizations. Within the industrial market, customers tend to be larger and fewer than in consumer markets. But even here, great variations are found. First, the number of industrial firms making up the market varies from one (monopsony), to few (oligopsony), to many. Secondly, we can also distinguish between industrial markets made up of only large firms, or a few large and many small firms, or only small firms.
- b) **The Reseller Market:** It consists of all the individuals and organisations that acquire goods for the purpose of reselling or renting them to others at a profit. The basic activity of resellers-unlike industrial or business market-is buying products from manufacturing organizations and reselling these products essentially in the same form to the resellers' customers. In economic terms resellers create time, place and possession utilities rather than form utility. Resellers also buy many goods and services for use in operating their businesses-items such as office supplies and equipment, warehouses, materials-handling equipment, legal services, and electrical services. In the case of the resellers like small wholesale and retail organisations, buying is done by one or a few individuals. In large reseller's organizations, buying is done by a buying committee made up of experts on demand, supply, and prices. One of the major problems a reseller faces is to determine its unique assortment-the combination of products and services that it will offer to its customers. The wholesaler or retailer can choose any four of the following assortment strategies:

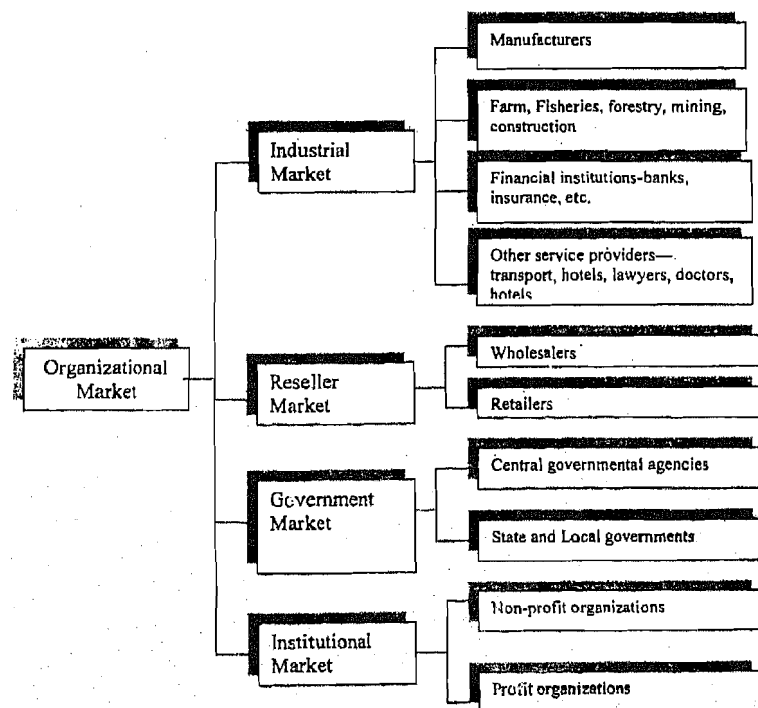


Figure 5.1 : Types of Organizational Market

Exclusive Assortment: It represents the line of only one manufacturer. For example, an exclusive show room of cars from a single manufacturer.

Deep Assortment: It represents a given homogenous product family in depth, drawing on many manufacturers products. For example, a TV dealer who keeps many brands of TVs from different manufacturers.

Broad Assortments: They represent a wide range of product lines that still fall within the natural coverage of reseller's type of business. For example, an electronic goods dealer that keeps different electronic goods from various manufacturers.

Scrambled Assortment: It represents many unrelated product families. For example, a grocery store or a super market that keeps thousands of products and brands in different product categories from hundreds of manufacturers, This choice of assortment may be available to a single reseller also. For example, a camera store may decide to sell only Kodak cameras (exclusive assortment), many brands of cameras (deep assortment), cameras, tape recorders, TVs, music systems (broad assortment), and many different products altogether (scrambled assortment).

- c) **The Government Market:** In most countries, government organizations are a major buyer of goods and services. The government market consists of central, state, and local governmental units that purchase or rent goods for carrying out the main functions of government. The government market constitutes a huge market potential for many companies. For example, government market buys hundreds of products and services from large number of companies. The governmental agencies buy amazing range of products and services; they buy every thing from toiletries, clothing, furniture, computers, vehicles, and fuel to sculpture, fire engines, weapons, and practically everything.

Government purchasing processes are different from those in the private sector of the industrial or business market. A unique feature of the government buying is the competitive bidding system. Much government procurement, by law, must be done on a bid basis. That is, the government agency advertises for bids using a standard format called a request for proposal (RFP), or quotation that states specifications for the intended purchase. Then it must accept the lowest bid that meets these specifications. An alternative to this system, the government may sometimes negotiate a purchase contract with an individual supplier. This system is used when government wants to purchase a specialized product that has no comparable products on which to base bidding specifications. In India, most of the government purchases for standard products are based on the rates approved by the Directorate General of Supplies and Disposal (DGS&D). From time to time DGS&D decides the rates of various products and services which are needed by governmental agencies. Despite the vast opportunities available from the government market, many companies are reluctant to sell because they are intimidated by the red tape.

- d) **The Institutional Market:** This is also known as non-profit organization or "nonbusiness" business market. This market consists of various non-profit institutions other than the government market. This includes: educational institutions (schools, colleges, universities, and research laboratories), hospitals, nursing homes, religious institutions, etc. Many non-profit institutions have low budgets and captive clienteles. For example, many universities, colleges and governmental hospitals work on funds provided by the government and in most of the cases these are limited. Therefore, those companies who wish to sell to this market should keep in mind the inherent budget constraints.

Characteristics of Organizational Market

After discussing various types of organizational market we now describe briefly the distinguishing characteristics of organizational market which make it different from consumer market. These characteristics are more or less applicable to all types of organizational market, but these are more applicable to industrial or business market. These are:

Fewer Buyers: Normally organizational buyers are less in number compared with consumers. Therefore, an industrial marketer normally deals with fewer buyers than does the consumer marketer. For instance, if a MRF a leading 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 company wishes to sell tyres to consumers (vehicle owners) it has to contact lakhs of vehicle owners.

Larger Buyers: Organizational buyers normally require large quantities of goods whereas personal 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 automobiles, telephone, soaps, cigarette, synthetic yarn 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,

Geographical Concentration: Organizational buyers are mainly concentrated in few places like, Mumbai, Kolkata, Delhi, Chennai, Bangalore, Pune, Hyderabad, etc., whereas consumers are spread throughout the country. For example, most of the companies in textile sector are located in the western belt of India. Because of this geographical concentration of industrial markets, the marketers need not establish distribution network throughout the country. This helps in reducing the cost of distribution.

Derived Demand: The demand for industrial goods is ultimately derived from the demand for consumer goods. For instance, Maruti Udyog Ltd. purchases steel and produces cars for the consumer market. If the consumer demand for cars drops, so will the demand for the steel and all the other products used to make cars. Therefore, industrial marketers sometimes promote their products directly to final consumers to increase business demand. For example, Intel Corporation, the largest supplier of computer processors engages in mass media advertising quite often.

Inelastic Demand: Demand for many industrial goods and services is inelastic and not much affected by price changes, especially in the short run, because producers can not make quick changes in production schedules. For example, footwear manufacturers will not buy much more leather if the prices of leather fall. Nor will they buy less leather if the prices rise unless they can find satisfactory substitutes. In case of price increase of industrial product such as key raw material, the manufacturers will increase the price of the finished product. In this way they pass on the price increase to the ultimate consumers.

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.

Professional Purchasing:- Most of the organisations have professionally trained 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 committee comprising experts and top management are common in the purchase of major goods. In addition to this, many of the buying instruments-such as purchase contracts-are not found in consumer buying.

Close Supplier-Customer Relationship: With the smaller customer base and the importance and power of the larger customers, industrial sellers are frequently required to customize their offerings, practices, and performance to meet the needs of individual customers.

Multiple Buying Influences: More people typically influence business buying decisions. Buying committees are common in the purchase of major goods; marketers have to send well trained and experienced sales people and often sales teams to deal with these well-trained buyers

Multiple Sales Calls: With the more people involved in the process, the sales representatives or sales teams from the industrial supplier are required to call many times before getting an order from an industrial buyer. A long period, ranging from a few weeks to few months is required to get an order for major capital equipment from an industrial buyer.

Direct Purchasing: Organizational buyers particularly business buyers often buy directly from manufacturers rather than through intermediaries, especially products that are technically complex or expensive.

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

Leasing: In case of major and expensive equipment many industrial buyers lease rather than buy in order to conserve funds, get the latest products, receive better service, and gain tax advantages. The lessor often makes more profit and sells to customers who could not afford outright purchase of equipment. There are certain income tax benefits according to Indian Income Tax Act given to both lessor and lessee.

Check Your Progress-A

1. Distinguish between deep assortment and broad assortment.
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2. Enumerate five characteristics of organisational market.
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3. Distinguish between industrial markets and reseller markets.
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4. Distinguish between derived demand and inelastic demand.

5.4 MEANING AND CONCEPT OF MARKET SEGMENTATION

Today companies that sell their products and services to various consumer and industrial markets are aware that they cannot serve to all buyers in the entire market for a specific product or service category. The reason is that buyers in a specific product market are too numerous, too widely spread, and have different needs and buying motives. This is known as heterogeneity or diversity of buyers. For examples, not all consumers who wear pants want to wear jeans. Even those wear jeans some will go for designer's jeans and some go for cheaper jeans. In the same way businesses who use computers may not want the same amount of memory or speed in computers. Thus rather than to compete in an entire market each company must identify the parts of the market that it can serve in a more meaningful way.

What we are seeing here is that within the same general market there are groups of consumers with different needs, buying preferences, or product-use behaviour. In some product markets these differences are relatively minor, and the primary benefit sought by consumers can be satisfied with a single marketing mix. In other product markets these differences are pronounced and consumers are not likely to compromise on single product and other elements of marketing mix. As a result, alternative or multiple marketing mixes are required to reach the entire product market. For example, today in India there are various brands of cars which are serving the "small car market", some are serving "mid-size car market", and some brands of cars are serving "luxury car market". Whether it is large or small, the group of consumers (personal consumers or business buyers) for whom the seller designs and directs a particular marketing mix is a target market.

Historically speaking, companies did not practice target market approach. They have, over the years passed through three stages in marketing their products and services. These are:

Mass Marketing: In this marketing practice companies use to produce a single product on a mass scale, distributed and promoted on a mass level. The main advantage that has been advocated for mass marketing is that this will lead to economies of scale to the manufacturers and lower price to the consumers. This practice is also known as "shotgun approach" or market aggregation. In the present market scenario this practice is seldom used by the marketers as consumers in most of the markets exhibit differences in terms of buying preferences, needs and product use behaviour. This has made mass marketing more difficult in the present times.

Target Marketing: Here the total market is viewed as consisting of several smaller segments with differences significant enough that one marketing mix will not satisfy everyone or even a majority in a given product or service market. Therefore, a firm here identifies different submarkets or market segments, selects one or more of them, and develops products and marketing mixes tailored to each. This strategy employs a "rifle" approach instead of "shotgun" approach.

Today most of the companies are moving away from mass marketing and adopting target marketing approach. Marketers who want to practice target marketing effectively are required to take three steps. The first step is *market segmentation*, the second step is *market targeting*, and the third step is *market positioning*. Therefore, target marketing is also known as STP marketing i.e. segmenting, targeting, and positioning. In this unit we will discuss market segmentation and the remaining two steps i.e., market targeting and market positioning will be discussed in the next unit. Look at Figure 5.2 which shows various steps in target marketing.

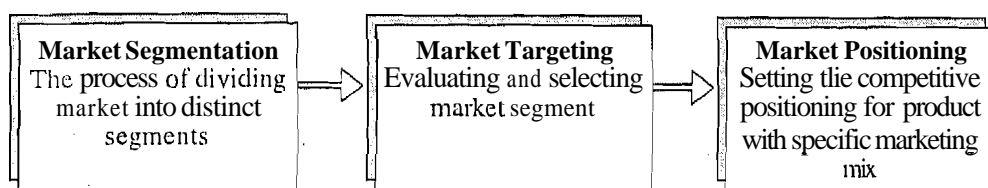


Figure 5.2: Steps in Target Marketing

As buyers of a product exhibit different needs and wants, and therefore, each group with similar needs may be treated as a separate market. Customer-oriented companies take these differences into consideration, but they usually cannot afford to tailor-made a different product and marketing mix for every consumer. Consequently, most marketers operate between the extremes of one marketing mix for all (mass marketing) and a different one for each consumer. Therefore, companies go for market segmentation. We define market segmentation **as the process of dividing the total market for a product or service into several smaller groups, such that the members of each group are similar with respect to the factors that influence demand.** Therefore, companies through market segmentation divide large, heterogeneous markets into smaller segments that can be reached more efficiently and effectively with products and services that match their unique needs.

The strategy of market segmentation involves the development of two or more different marketing programs for a given product or service, with each marketing program aimed at a different market segment. A strategy of marketing segmentation requires that the company first clearly defines the number and nature of the customer groupings (market segments) to which, it intends to offer its product or service. This is necessary (though not sufficient) condition for optimizing efficiency of marketing effort against those segments of the total market where it is likely to yield higher returns on the effort and investment. Some people criticize that marketers create the segments. This is not true. They do not create the segments but they first identify the segments and then decide to focus on one or more segments with different marketing mixes.

5.5 IMPORTANCE OF MARKET SEGMENTATION

Market segmentation being customer-oriented is in consonance with the marketing concept philosophy. In market segmentation, a company first identifies the needs of consumers within a segment and then decides if it is practical to develop a product and marketing mix to satisfy those needs. By practicing market segmentation a company may obtain the following advantages and benefits.

- By tailoring marketing programs to each market segment, a company can do a better marketing job and can make more efficient use of its marketing resources.
- A small company with limited resources may be in a better position to compete more effectively in one or two small market segments, whereas the same company would be overwhelmed by the competition from bigger companies if it aimed for a major segment.

- A company with effective market segmentation strategy can create a more fine-tuned product or service offering and price it appropriately for the target segment.
- The company can more easily select the most appropriate distribution network and communication strategy, and it will be able to understand its competitors in a better way, which are serving the same segment.
- By developing strong position in a specialized market segments, a medium sized company can grow rapidly.
- Even very large companies with the vast resources at their disposal are abandoning mass marketing strategies and embracing market segmentation as more effective strategy to reach various market segments in broad product market. For example, Hindustan Lever Ltd (HLL), one of the most admired companies, has developed a number of detergent brands to cater to the needs of various segments in detergent market. This has been done by HLL after it faced stiff competition in the 1970s from a small and lesser known Nirma Chemicals Ltd, in the form of Nirma brand. As a result of Nirma's onslaught HLL came up with an economical brand named Wheel to cater to the needs of middle class and economy conscious detergent buyers.

Because of these factors and the benefits from the market segmentation most of the companies both in consumer and industrial markets are practicing this strategy. Because of obvious benefits, today not only market segmentation is practiced by the companies manufacturing goods and services but it has also been adopted by retailers. Many marketing experts are of the view that the days of mass marketing have gone and even if some companies are following mass marketing its days are numbered. Therefore, today companies use market segmentation to stay focused rather than scattering their marketing resources.

5.6 REQUIREMENTS OF EFFECTIVE MARKET SEGMENTATION

The goal of segmentation is to divide a market so that each segment responds to a different or unique marketing mix. The variables on the basis on 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. As we will see in the next section that there are several ways to segment a market, but not all segmentation approaches are equally effective. To carry out effective market segmentation, the selected segments should be (1) identifiable and measurable, (2) sufficient (in terms of size), (3) stability, (4) reachable (accessible) in terms of media and costs, (5) differentiable, and (6) actionable. Let us discuss them in detail.

Identifiable and Measurable: To divide the market into separate segments on the basis of a common need or characteristics that is relevant to the product or service, marketers must be able to identify the relevant characteristics or variables. Some segmentation variables, such as geography (location) or demographics (age, gender, occupation), are relatively easy to identify or are even observable. Others, such as education, income, or marital status, can be determined through survey research using questionnaire. Still other characteristics, such as benefits sought or lifestyle, are more difficult to identify. Even after the proper identification of variable(s) the marketers will be in a position to measure the resultant segments in terms of their size, purchasing power, and profile. Certain segmentation variables are difficult to measure because they are difficult to identify. Therefore, if any segmentation variable can not be measured properly segmentation of market will not be effective.

Sufficient (in terms of size): For a market segment to be worthwhile target, it must have a sufficient number of people to warrant tailoring a product or promotional campaign to its specific needs or interests. The segment not only should be large but it should also be profitable enough to serve with a specific marketing mix. In estimating the size of each segment under consideration, marketers often use secondary demographic data or undertake a probability based survey whose findings may be projected to the total market. For example, it would not pay for a motorcycle manufacturer to develop motorcycles that are physically challenged.

Stability: Most marketers prefer to target consumer segments that are relatively stable in terms of demographic and psychographic variables and needs that are likely to grow larger over time. They normally prefer those market segments which can be predicted with certain amount of certainty and stability. In the context of certain products which are amenable to fashion and fads, trying to segment a market on the basis of fads, which may change in a short period, will be a risky proposition. For example, teens are a sizeable and easily identifiable market segment, eager to buy, able to spend, and easily reached. Yet, by the time a marketer produces merchandise for a popular teenage fad; interest in it may have waned or decreased.

Reachable (accessible) in Terms of Media and Costs: A fourth requirement for effective market segmentation is accessibility. It refers to the degree to which the segments can be effectively reached and served in an economical way. Despite the wide availability of special-interest magazines and cable TV network, marketers are constantly looking for new media to reach their target markets with a minimum of waste circulation and competition. With the advent of Internet, now marketers are able to reach to a narrow group of segments. 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. Therefore, when markets are segmented, each segment should be accessible and approachable.

Differentiable: The resultant segments should be conceptually distinguishable and respond differently to different marketing mix elements and programs. For example, if married and unmarried respond similarly to a sale on perfume, they do not constitute separate segments.

Actionability: It refers to the degree to which effective programs can be formulated for attracting and serving the segments. A small travel agency, for example, identified seven market segments, but its staff was too small to develop separate marketing programs for each segment.

5.7 BASES FOR MARKET SEGMENTATION

The first step in market segmentation strategy is to select the most appropriate base(s) on which to segment the market. Because of inherent differences between consumer and organizational or business markets, marketers cannot use exactly the same variables to segment both. Instead, they use one broad group of variables as the basis for consumer market segmentation and another broad group for business market segmentation. We will discuss various bases used in segmenting a consumer market and then discuss the bases for segmenting business markets. Before we discuss the bases for segmentation one caveat is in order. There are innumerable ways of segmenting a market. However, not every base is equally applicable for every product category. For some products one base may be more appropriate and for other product category another base may be more appropriate. 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 organizational or business market. We need to identify some of the widely used base for segmenting these two broad types of markets. We will first take various bases used in segmenting consumer markets.

5.7.1 Bases for Segmenting Consumer Markets

As stated earlier there is no single way of segmenting a market. A marketer has to try different segmentation variables, alone and in combination, to find the best way to view the market structure. Eight major categories of consumer characteristics provide the most popular bases for consumer market segmentation. They include: geographic factors, demographic factors, psychological factors, sociocultural variables, use-related characteristics, use-situation factors, benefit sought, and hybrid segmentation forms such as demographic/psychographic profiles, geodemographic factors, and values and lifestyles. Hybrid segmentation forms a combination of several segmentation bases to create rich and comprehensive profiles of particular consumer segments. All eight segmentation bases are divided further into specific variables. Look at Figure 5.3 which shows these bases.

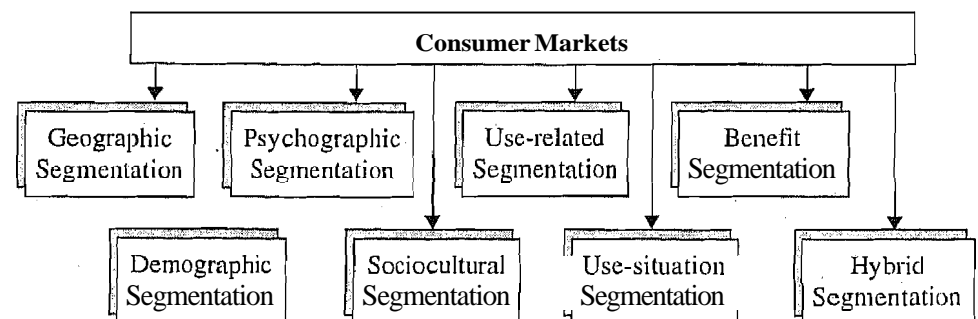


Figure 5.3 : Bases for Segmenting Consumer Markets

Geographic Segmentation: This calls for dividing the market on the basis of location. A company may divide the market into different geographical areas such as nations, regions, states, cities, urban/rural areas, or neighbourhoods and then decides to operate in one or few geographical areas, or to operate in all areas but pay attention to geographical differences in consumer needs and wants. The basic reason of using geographic base for segmentation is that people who live in the same area share some similar needs and wants that these needs and wants differ from those people living in other areas. For example, certain food and beverages sell better in one region than in others. Take the example of coffee which is consumed in India, but it is more consumed in South India than any other region. A company who is marketing coffee may keep the taste and flavour preferences in the different regions and accordingly it may come out with different variants of coffee in terms of taste and flavours which may be liked by people belonging to different regions. In the context of India, another variation may be found in terms of purchasing pattern among urban and rural consumers. Companies, if they observe divergent pattern of purchasing in a specific product category among the people of these areas then they may develop products and marketing mixes to suit the consumers' tastes and preferences belonging to urban or rural areas.

In short, geographic segmentation may prove to be a useful strategy for many marketers. It is relatively easy to find geographical differences in many products. In addition, geographic segments can be easily reached through the local media,

including newspapers, TV, and radio, and through regional edition of magazines.

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, nationality, etc. Demography refers to the vital and the measurable statistics of population. Demographic variables are the most popular bases for distinguishing customer groups. One of the reasons 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 reach it effectively. Another reason of its popularity is that demographic variables reveal ongoing trends, such as shifts in age, sex (gender), and income distribution that signal business opportunities. Let us discuss how certain demographic variables can be applied to market segmentation,

- a) **Age and life cycle stage:** Because product needs and interest often vary with consumer age, marketers have found age to be particularly useful demographic variable for distinguishing segments. Many marketers have carved themselves a niche in the marketplace by concentrating on a specific age segment. For instance, children of six months age differ from children of three months age in their food requirements and consumption potential. A toy manufacture may realize this and may design different toys to be used by children belonging to different age groups. A food company may market different foods which may suit the requirements of different aged babies. Recently, different cable channels have come up which cater to the children, youth, and males/females of different age groups. Segmenting a market on the basis of age sometime create problems. Marketers must be careful in defining market segments in strictly chronological age terms as it can sometimes be stereotypical and misleading, particularly because many adult consumers have a perceived age (i.e., *cognitive age*) about 10 to 15 years younger than their chronological age. A useful segmentation approach categorizes older consumers in terms of their cognitive age rather than chronological age.
- b) **Sex (Gender):** Segmentation of markets based on sex or gender has long been used in the case of products such as clothing, cosmetics, and magazines. Gender has long been a distinguishing segmentation variable. Women have traditionally been the main users of such products as hair colouring, shampoo, and cosmetics and men have been the main users of tools and shaving goods. However, sex roles, in the recent years, have blurred considerably, and gender is no longer an accurate way of distinguishing consumers in some product categories. For example, women are buying all types of household products and men have become significant users of skin care, shampoo and cologne and hair care products. It is becoming increasingly common to see magazine ads and TV commercials to depict men and women in roles traditionally occupied by the opposite sex. Much of the sex role change has occurred because of emergence of increased number of dual-income families. In every country including India more and more women are going for employment and this has resulted in the change in traditional roles of men and women. Till few years back, men were the main users of two-wheelers in India. Now, two-wheeler industry has already recognized sex as a basis of segmentation. In the past, two wheelers were designed to appeal to the men only. With the increase in the number of working women, many companies in this industry have designed scooters which are suitable for women.

- c) **Marital Status:** another way of segmenting a market is on the basis of marital status. Traditionally the family has been the focus of most marketing efforts, and many products and services; the household continues to be the relevant consuming unit. Marketers are interested in the number and kinds of households that own and/or buy certain products they are also interested in determining the demographic and media profiles of household decision makers (the person involved in the actual selection of the product) to develop appropriate marketing strategies.
- d) **Income, Education, and Occupation:** In the recent years the popularity of income as segmenting variable of a market has been decreased. Although income has long been an important variable for distinguishing market segments, a major problem with segmenting the market on the basis of income alone is that income simply indicates the ability (or inability) to pay for a product. For this reason, marketers often combine income with some other demographic variable(s) to define their target market, more accurately. For example, very often marketers combine income with age to identify the important affluent elderly and affluent younger segments. Many marketers are of the view that education, occupation, and income tend to be closely correlated in almost a cause-and-effect relationship. High level occupations that produce high incomes usually require advanced educational training. Individuals with little education rarely qualify for higher level jobs. Because of the interrelationship among these three variables, education, occupation, and income are combined into a composite index of social class. 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 a 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: Demographic data are used to segment markets because these data are related to behaviour and are relatively easy to gather. However, demographics are not in themselves the causes of behaviour. Consumers do not buy products purely on the demographic variables but these variables may correlate with certain psychological characteristics of consumers. Therefore, marketers have gone beyond demographic attributes in an effort to better understand why consumers behave as they do. They now engage in psychological segmentation, which involve examining attribute such as personality, and lifestyles. When demographic and psychological attributes are combined, richer description of segments is produced. Let us learn some of the psychographic bases of segmentation.

- a) **Lifestyle Segmentation:** Lifestyle relates to activities, interests, and opinions. A person's lifestyle reflects how he spends his time and what his beliefs are on various social, economic, and political issues. People are found to exhibit many types of lifestyles and their lifestyles undoubtedly affect what goods they purchase and what brands they prefer. Marketers are aware of this and attempt to segment their markets based on lifestyle characteristics. One theory relating to lifestyles is that lifestyles are shaped partly by whether consumers are time-constrained or money-constrained. Consumers who experience time-constrain i.e., paucity of time at their disposal, are prone to multitasking, that is, doing two or more things at the same time. Companies aiming to serve them will try to create convenient services for this group. As for the money-constrained individuals companies aiming to serve them will create lower-cost products and

services. The technique of measuring lifestyles is known as *psychographics*. It is the science of using psychology, sociology, anthropology, and demography to better understand buyers. Psychographics can help marketer fine-tune its offering to meet the needs of different segments. Psychographic research attempts to place consumers on psychological-as opposed to purely demographic-dimensions.

Companies making cosmetics, alcoholic beverages, and furniture are always seeking opportunities in lifestyle segmentation, but lifestyle segmentation does not always work. It is difficult to accurately measure the size of lifestyle segment in a quantitative manner. Another problem is that a given lifestyle segment might not be accessible at a reasonable cost through a company's usual distribution system or promotional program.

- b) **Personality Segmentation:** Marketers also use personality variables to segment markets. An individual's personality characteristics are described in terms of traits that influence behaviour. In trying to segment a market on personality traits marketers endow their products with what is known as **brand personality** that corresponds to target group personality. Then they project this brand personality through their promotional campaigns. For example, Bajaj Scooter has been projected most often as "Trusted friend" and Red and White Cigarettes as "Daring" Lipton Tiger Tea as "valiant". However, using personality traits as a basis for segmentation sometimes create problems that limit their usefulness in practical market segmentation. First the presence and strength of these traits are virtually impossible to measure. Another problem is associated with the accessibility condition of segmentation. There is no advertising medium which can reach to a particular personality type. For example, a TV medium reaches to all types of personality types. Therefore, one of the major goals of segmentation, to avoid wasted marketing effort, is not likely to be accomplished using personality segmentation. Nevertheless, many companies tailor their advertising messages to appeal to certain personality traits, even though the importance of the personality dimension in a particular decision may be difficult to measure.

Value Segmentation: Some marketers try to segment a particular market by values. According to psychologists, values are a reflection of our needs adjusted for the realities of the world in which we live. In other words values are the belief systems that underlie consumer attitudes and behaviours. Research at the Survey Research Center at the University of Michigan has identified nine basic values that relate to purchase behaviour. These are known as List of Values (LOV). These values are:

- Self-respect
- Self-fulfillment
- Security
- Sense of belonging
- o Excitement
- Sense of accomplishment
- Fun and enjoyment in life
- Being well respected
- Having warm relationship

While most people will view all of these values as desirable, their relative importance differs among people and their importance changes over a person's life. Marketers who attempt to segment their markets on the basis of values believe that by appealing to people's inner selves, that is, values, it is possible to influence their outer selves, that is, their purchase behaviour.

Sociocultural Segmentation: Sociological (i.e., group) and anthropological (i.e., cultural) variables-that is sociocultural variables-provide further bases for market segmentation. We will briefly discuss three bases under this head. These are: family life cycle, social class, and culture. Let us learn them.

- a) **Family Life Cycle Segmentation:** This is based on the premise that many families pass through similar phases in their formation, growth, and final dissolution. At each phase, the family unit needs different products and services. Family life cycle is a composite variable based explicitly on marital and family status, but implicitly including relative age, income, and employment status. Each of the stages in the traditional family life cycle (i.e., bachelorship, newly married couple, couple with small children, couples with grown up children, and retired people with no children) represents an important target segment to a variety of marketers. For example, Life Insurance Corporation of India (LIC) has different life insurance policies for young married couples, couples with grown up children and for retired persons.
- b) **Social Class Segmentation:** Social class is a potential market segmentation variable. It is traditionally measured by a weighted index of several demographic variables, such as education, occupation, income (we have already discussed social class influence in Unit 4). The concept of social class implies that people belonging to different social classes vary in terms of values, product preferences, and buying habits. Therefore, marketers have used their knowledge of social class differences to appeal to specific segments.

Culture Segmentation: Some marketers have found it useful to segment their markets on the basis of cultural heritage, because members of the same culture tend to share the same values, beliefs, and customs. Marketers who use cultural segmentation stress specific, widely held cultural values which they hope consumers will identify. Cultural segmentation is particularly successful in international marketing, but in such instances, it is important for the marketer to understand fully the beliefs, values, and customs of the countries in which the product marketed. Within the larger culture, there exist subcultures. These subcultures sometime exhibit distinct purchase preferences. If this is the case then marketers may segment a particular market on the basis of subcultures. Also culturally distinct segments can be prospects for the same product but often are targeted more efficiently with different promotional appeals.

Use-Related Segmentation: An extremely popular and effective form of segmentation is based on the user-related variables. We will briefly discuss three bases of segmentation under this category. These are: user rate, awareness status, and loyalty status.

- a) **User Rate Segmentation:** Here the marketer differentiates among heavy users, medium users, light users, and non users of a specific product, service, or brand. Normally a company is most interested in the heavy users of its product because heavy users are often a small percentage of the market but account for a high percentage of total consumption. For example, research has consistently indicated that between 25 and 35 percent of beer drinkers account for more than 70 percent of all beer consumed. In many frequently purchased product categories less than 50 percent of all users account for 80 to 90 percent of total purchases. For this reason, most marketers prefer to target their promotional campaigns to the heavy users to retain them. They also try to encourage the heavy users of competitors' brands to switch. Sometime a marketer will select as a target market the nonuser or light user, intending to woo these consumers into higher usage. Or light users may constitute an attractive niche for a marketer simply because they are being ignored by the companies that are targeting heavy users. Marketers who use this type of segmentation first try to find out the demographic and psychographic characteristics of light users and then come out with a product and marketing mix to suit the requirements of this segment.

- b) **Awareness Status Segmentation:** This is also known as buyer-readiness stage segmentation. A market consists of people in different stages of readiness to buy a product. Marketers have to determine what percent of potential consumers are aware of the product, interested in the product, or need to be informed about the product. The relative numbers make big difference in designing the marketing program.
- c) **Loyalty Status Segmentation:** Sometimes brand loyalty is used as the basis of segmentation. Buyers can be divided into four groups according to brand loyalty status: (1) hard-core loyals (who always buy one brand), (2) soft-core loyals or split loyals (who are loyal to two or three brands), (3) shifting loyals (who shift from one brand to another), and (4) switchers (who show no loyalty to any brand). Each market consists of different numbers of these four types of buyers: thus a brand-loyal market has a high percentage of hard-core loyals. Companies that sell in such a market have a hard time gaining more market share, and new competitors have a hard time breaking in. In the recent years, many marketers in order to retain their loyal customers offer special benefits to them in the form of loyalty rewards. For example, Indian Airlines has introduced "frequent flyer" scheme to retain the regular passengers by offering heavy discounts or free tickets to family members after a certain number of flying trips.

Usage-Related Segmentation: Marketers recognize that the occasion or situation determines what consumers will purchase or consume. For this reason, they sometimes focus on the usage situation as a segmentation variable. We will briefly discuss one variable under this category i.e., occasion.

Occasion Segmentation: Buyers can be distinguished according to the occasions on which they develop a need, purchase a product, or use a product. For example air travel is undertaken by occasion related to business, vacation or family, so an airline can specialize in one of these occasions. Another example is of hotel accommodation. Many hotels in India develop different stay packages for vacation, for honeymooners, for regular visitors etc. apart from this, many products are promoted for special usage occasions. For example the greeting card industry stresses special cards for a variety of occasions such as on Diwali, Eid, Christmas, Valentine Day, Mother's Day etc. Today many companies are promoting their products for different occasions.

Benefit Segmentation: Marketing people constantly attempt to isolate the one particular benefit that they should communicate to consumers. Segmenting the market on the basis of benefit sought by various consumers has been a popular segmenting base for many products and services. For example, motorcycle manufacturers tried to segment this market on the basis of benefits sought by various consumers. Hero Honda emphasised fuel consumption, Kawasaki Bajaj and Yamaha emphasised on power and style. Benefit segmentation can be used to position various brands within the same product category. The classic case of successful benefit segmentation is the market for toothpaste: Colgate for total dental care, Close-up with a special appeal that stresses bright teeth, Forhans appeals to the protection of gums.

Hybrid Segmentation: Marketers commonly segment markets by combining several segmentation variables rather than relying on a single segmentation base. We will discuss two hybrid segmentation approaches i.e., psychographic/demographic profiles, and geodemographics. These two approaches provide marketers with more accurately defined consumer segments than can be derived using a single segmentation base.

- a) **Psychographic-demographic Profiles:** Psychographic and demographic profiles are highly complementary approaches that work best when used together. By combining the knowledge gained from both demographic and

psychographic studies, marketers are provided with powerful information about their target markets. The demographic information provide the marketer about the prospective customers' age, education, income, etc. and the psychographic information provides the basis of the prospective consumers personality, and lifestyle pattern. Used together, this type of segmentation help in creating customer profiles (for product and service marketers) and creating audience profiles (for mass and special interest media to attract advertisers). Demographic/psychographic profiling has been widely used in the development of advertising campaigns by various companies.

- b) **Geodemographic Segmentation:** This type of hybrid segmentation scheme is based on the notion that people who live close to one another are likely to have similar financial means, tastes, preferences, lifestyles, and consumption habits. Many marketing research firms collect information on geodemographic clusters and then provide this information to advertisers for developing effective advertising campaigns. These clusters are based on consumer lifestyles, and a specific cluster include similar neighbourhoods, that is, neighbourhoods composed of people with similar lifestyles widely scattered throughout the county. Geodemographic segmentation is most useful when advertiser's best prospects (in terms of personality, goals, and interests) can be isolated in terms of where they live. However, for products and services used by broad cross-section of people in a country, other segmentation schemes may be more productive.

5.7.2 Bases for Segmenting Organizational Markets

Organizational markets can be segmented with many of the same variables used in segmenting the consumer markets. For example, we can segment organizational markets on a geographic basis. Some industries are geographically concentrated. For example, in India most of the companies belonging to textile industry are located in Maharashtra and Gujarat. Any company that sells to this industry could use geographic segmentation.

Also, like consumers, businesses have demographics that can be used to segment market. For example, the size of a company (measured by sales volume or number of employees), the company's type of business (advertising agencies typically focus on either clients that market to consumers or companies that sell to other businesses), or the company's method of buying (some rely on price and select the lowest bidder, while others use criteria such as quality or delivery time). Companies can also segment their organizational markets on the benefit desired by buyer and on product usage rates. We will discuss briefly the specific segmentation approaches for organizational markets below. In particular, there are three commonly used bases: 1) type of customer 2) size of customer, and 3) type of buying situation. Let us learn them.

- a) **Type of Customer Segmentation:** A common way to segment industrial markets is by end users. Different users often seek different benefits and can be approached with different marketing mixes. For example, a company that sells small electric motors would have broad potential market among many different industries such as automobiles, electrical appliances, government departments etc. However, this company will do better by segmenting its potential market by type of customer and then specializing to meet the needs of businesses in a limited number of these segments.
- b) **Customer Size Segmentation:** Customer size is another variable used for segmenting organizational markets. Many companies set up separate systems for dealing with major and minor customers. For example, a company which manufactures office furniture, may divide its customers into two groups as major

accounts and minor 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 categorized as dealer accounts. These accounts are handled by the field personnel working with-franchised dealers who sell company's products.

- c) **Type of Buying Situations Segmentation:** While discussing organizational markets we have identified three types of buying situations: *new buy*, *modified rebuy*, and *straight rebuy*. 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.

5.8 MICRO SEGMENTATION AND MASS CUSTOMIZATION

In the market segmentation we have discussed the process of dividing a product market into various submarkets or segments. Market segments are normally large, identifiable groups within a market. Many companies are focusing their marketing efforts on the subgroups within these market segments. These small segments are known as niches. Going beyond niche marketing, a marketer may further divide the market into micro segments. Micro segmentation takes the form of micro marketing and mass customization. We will discuss these in the following:

Micromarketing: Segment and niche marketers tailor their offers and marketing programs to meet the needs of various market segments. At the same time, however, they do not customize their offers to each individual customer. Thus segment marketing and niche marketing fall between extremes of mass marketing and micromarketing. Micromarketing is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations. Micro marketing includes local marketing and individual marketing or mass customization. Let us learn them.

- a) **Local Marketing:** This involves tailoring brands and promotions to the needs and wants of local customer groups-cities, neighbourhoods, and even specific stores. Many big retailers routinely customize each store's merchandise and promotions to match its specific clientele. Local marketing has some drawbacks. It can drive up manufacturing and marketing costs by reducing economies of scale. It can also create logistics problems as companies try to meet the varied requirements of different regional and local markets. Despite some of these drawbacks, local marketing helps a company to market more effectively in the face of pronounced regional and local differences in community demographics and lifestyles. It also meets the needs of the company's first line customers-retailers-who prefer more fine-tuned product assortments for their neighbourhoods.
- b) **Individual Customer Marketing or Mass Customization:** In its extreme form, micro marketing becomes individual customer marketing or mass customization-tailoring products and marketing programs to the needs and preferences of individual customers. This has also been labeled one-to-one marketing, customized marketing, and markets-of-one marketing. Mass customization is the ability of a company to prepare on a mass basis individually designed products, services, programs, and communication, to meet each customer's requirements. In the context of consumer market, not every company can use this approach. However, if a company achieves mass customization it may gain competitive advantage over its competitors. Business-to-business marketers are also finding new ways to customize their offerings. A number of companies-both in consumer market and organizational market-are

using existing technologies to customize their products to the individual customers. The examples include Dell Computers, Mattel-the manufacturer of Barbie Dolls, Levi's-the jean maker, Acumins-Internet based vitamin company, DeBeers-maker of diamond jewellery. All of these companies are practicing mass customization successfully.

Check Your Progress-B

- 1. Distinguish between mass marketing and target marketing.
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- 2. What do you mean by geographical segmentation of market?
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- 3. Enumerate four variables of demographic segmentation of market.
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- 4. Enumerate five variables of psychographic segmentation of market.
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- 5. What do you mean by family life cycle segmentation?
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- 6. 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 market.

5.9 LETUSSUMUP

From the marketing point of view a market may be defined as group of people or organisations with (1) needs to satisfy; (2) money to spend, and (3) the willingness to spend it. Basically markets may be divided in to two broad categories, that is, consumer market and organizational market. The consumer market consists of all the individuals and households who buy or acquire goods and services for their own personal or household use. Organizational market purchases goods and services to achieve specific goals, such as making money, reducing operating costs, and satisfying social or legal obligations. The organizational market comprises all the organizations that buy goods and services for use in the production of other products and services that are sold or rented, or supplied to other customers or used by themselves for running the organization. There are four types of organizational markets: the industrial market, the reseller market, the government market, and the institutional market. In many respects organizational market differs with consumer market. Therefore, marketers should keep in mind these differences while selling their products to the organizational market.

Within the same general market there are groups of consumers with different needs, buying preferences, or product-use behaviour. Today most of the companies are moving away From mass marketing and adopting target marketing approach. Target requires that a broad market has to be divided into homogenous smaller markets through the process of market segmentation. Market segmentation is the process of dividing the total market for a product or service into several smaller groups, such that the members of each group are similar with respect to the factors that influence demand. To carry out effective market segmentation, the selected segments should be (1) identifiable and measurable, (2) sufficient (in terms of size), (3) stability, (4) reachable (accessible) in terms of media and costs, (5) differentiable, and (6) actionable.

A marketer has to use different segmentation variables, alone and in combination, to find the best way to view the market structure. Eight major categories of consumer characteristics provide the most popular bases for consumer market segmentation. They include: geographic factors, demographic factors, psychological factors, sociocultural variables, use-related characteristics, use-situation factors, benefit sought, and hybrid segmentation. Organizational markets can be segmented with many of the same variables used in segmenting the consumer markets. The specific segmentation approaches for organizational markets are: 1) type of customer 2) size of customer, and 3) type of buying situation.

In the recent years many companies going beyond market segmentation and moving toward micro segmentation and mass customization. Micro segmentation is also known as micro marketing. Micromarketing is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations. Mass customization is the process of tailoring products and marketing programs to the needs and preferences of individual customers. This has also been labeled one-to-one marketing, customized marketing, and markets-of-one marketing.

5.10 KEY WORDS

Benefit Segmentation: Segmentation based on the kinds of benefits consumers seek in a product.

Consumer Market: All the individuals and households who buy or acquire goods and services for personal consumption.

Demographic Segmentation: Dividing the market into groups based on demographic variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, and nationality.

Derived Demand: Demand for a particular product or service results from the need for other goods and / or consumption of soft drinks or beer,

Geographic Segmentation: Dividing a market into different geographical units such as nations, states, regions, countries, cities, or neighborhoods.

Government Market: Governmental units—federal, state, and local—that purchase or rent goods and services for carrying out the main functions of government.

Institutional market: Schools, hospitals, nursing homes, prisons, and other institutions that provide goods and services to people in their care.

Market: The set of all actual and potential buyers of a product or service.

Market Megmentation: The process of breaking a heterogeneous group of consumers into smaller more homogeneous groups.

Mass Customization: It is the ability of a company to prepare on a mass basis individually designed products, services, programs, and communication, to meet each customer's requirements.

Mass Marketing: Marketing practice where companies use to produce a single product on a mass scale, distributed on a mass level and mass promoted one product to all buyers,

Micromarketing: The practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations—includes local marketing and individual marketing.

Organizational Market: All the organizations that buy goods and services for use in the production of the other products and services that are sold or rented, or supplied to other customers or used by themselves for running the organization.

Psychographic Segmentation: Dividing a market into different groups based on social class, lifestyle, or personality characteristics.

Reciprocity: Situation in which two companies buy products and/or services from one another.

Target Market: It refers to a group of people or organizations at which a firm directs a marketing program with a specific marketing mix.

Target Marketing: The process of identifying the specific needs of segments, selecting one or more of these segments as a target and developing marketing programs directed to each.

The Industrial Market: 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.

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

5.11 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress-B

6) i) False ii) False iii) True iv) False v) True

5.12 TERMINAL QUESTIONS

Markets and Market Segmentation

- 1) Describe the distinguishing characteristics of organizational market.
- 2) Briefly discuss various types of organizational market.
- 3) What is market segmentation? Explain the importance of segmenting markets.
- 4) Critically evaluate four important bases for segmenting consumer markets.
- 5) Discuss various bases on which an organizational market may be segmented,
- 6) Describe the concept of micro marketing and find out whether this concept is being adopted by some Indian companies.