UNIT 2 , BBA 205

Dr. Bharti Shukla
Assistant Professor
HMSD
MMMUT, GKP

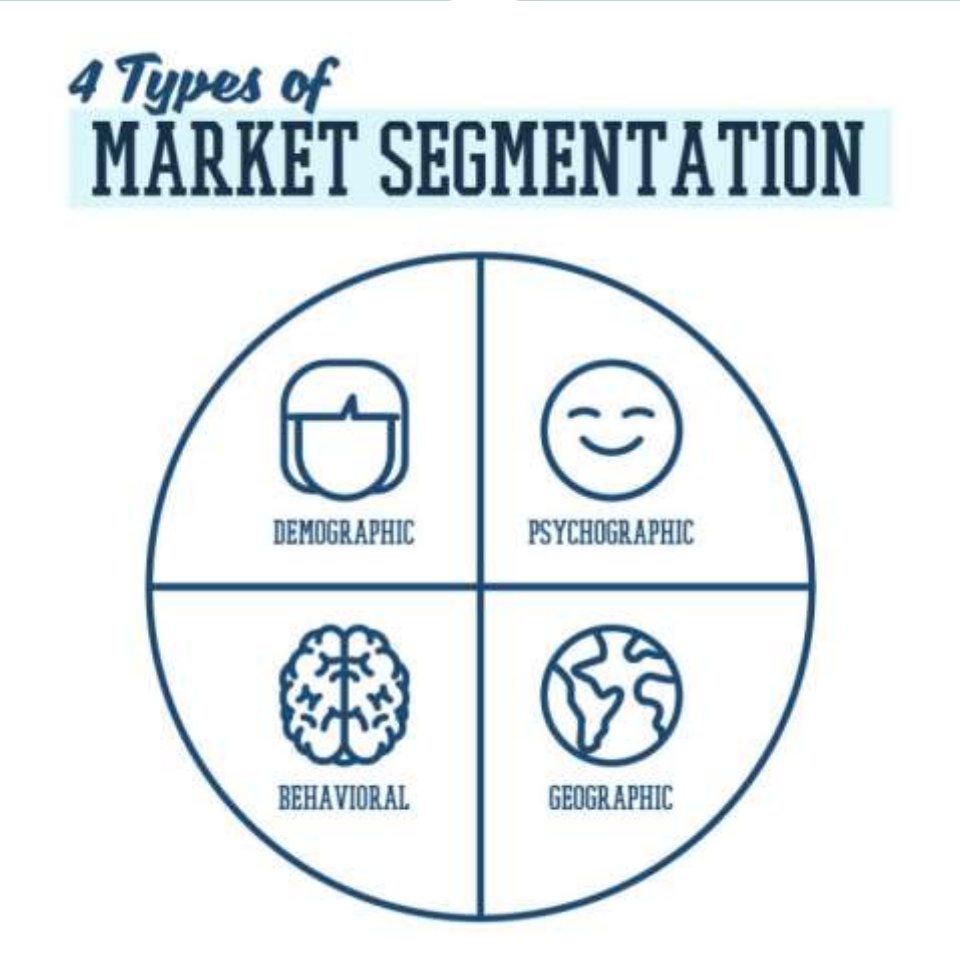
Unit -2 syllabus

- Marketing Strategies: Definition, Need and Benefits of Market Segmentation, Bases for Segmentation, Selection of Target Market, Positioning and differentiation strategies, Product mix, Product Hierarchy, Product Life Cycle, New Product Development, and Concept of Branding.

Segmentation

Market segmentation is the process of dividing a market of potential customers into groups, or segments, based on different characteristics. The segments created are composed of consumers who will respond similarly to marketing strategies and who share traits such as similar interests, needs, or locations.

Segmentation



Importance of Market Segmentation

- **1. Improves Campaign Performance**

- Market segmentation can help you to improve the performance of your marketing campaigns by helping you to target the right people with the right messaging at the right time. Segmentation enables you to learn more about your audience so you can better tailor your messaging to their preferences and needs.
- Targeting a specific segment that is likely to be interested in your content or product is much more effective than targeting an overly broad audience.
- The more specific the audience of people interested in your brand, the more beneficial targeting can be.
- Even if you're selling a product with broad appeal, customer segmentation can help you tailor your messaging to different groups to better engage with them.

2. Informs Product Development

- Market segmentation can also help companies to develop products that better meet the needs of their customers. You can create products to appeal to needs your main market segment may have and develop different products tailored to different parts of your customer base.
- You could, however, also segment your audience further, and create vehicles that appeal to each of those segments.
- Designing your products with the needs of your customers in mind will help you to sell more and will make your customers happier.

3. Reveals Areas to Expand

- Market segmentation can also help businesses to identify audience segments that they are not currently reaching with their marketing efforts and then expand into new markets.
- When you look at your audience data, you might discover interests that you didn't realize your customers had. For
- As another example, a clothing company that primarily targets middle-aged women might decide to start selling kids clothing as well. They could introduce these items and market them to their current customers, encouraging them to buy them for their kids.

4. Improves Business Focus

- Market segmentation can also help businesses to focus their efforts, which enables them to establish a brand identity and specialize in a particular type of products.
- A brand that tries to appeal to everyone in their marketing will come off as generic and unmemorable. It could also leave customers confused about what the brand stands for and what kind of company it represents.

5. Informs Other Business Decisions

- Market segmentation can also help to inform other important business decisions regarding how you get your product to customers. These decisions may involve matters such as pricing and distribution.
- Businesses can use segmentation to help them decide on pricing that maximizes sales while keeping customers happy. Companies may consider demographic information such as income levels. They may also take into account their customers' price sensitivity — the degree to which their price affects their purchase decisions..
- Market segmentation can also help companies to determine the optimal strategies for the distribution of their products. Some groups of people, for instance, are more likely to shop online, while others are more likely to shop in a store.

Segmentation process involves five distinct, steps:

1. Finding ways to group consumers according to their needs.
2. Finding ways to group marketing actions- usually the products offered- available to the organization.
3. Developing a market-product grid to relate the market segments to the firm's
4. Selecting the target segments toward which the firm directs its marketing actions.
5. Taking marketing actions to reach target segments.

Criteria

- Homogeneous

  This means that the consumers allocated to each segment should be similar in some relevant way.

  This is the basis of market segmentation – that the consumers in each segment are similar in terms of needs and/or characteristics

- Heterogeneous

  Each segment of consumers should be relatively unique, as compared to the other segments that have been constructed

  This demonstrates that the consumers in the overall market have been effectively divided into sets of differing needs

- Measurable

  Some form of data should be available to measure the size of the market segment

  Measurements are very important to be able to evaluate the overall attractiveness of each segment

- Substantial

  The market segment should be large enough, in terms of sales and profitability, to warrant the firm's possible attention

  Each firm will have minimum requirements for the financial return from their investment in a market, so it is necessary to only consider segments that are substantial enough to be of interest

- Accessible

  The market segment should be reachable, particularly in terms of distribution and communication

  Each segment needs to be able to be reached and communicated with on an efficient basis

- Actionable/practical

The firm needs to be able to implement a distinctive marketing mix for each market segment

The range of segments identified generally need to be defined for the capabilities and resources of the organization, so very specialized segments may not be appropriate

- Responsive

  Each market segment should respond better to a distinct marketing mix, rather than a generic offering

  The key outcome of the STP process is to develop a unique marketing mix for a specified target market, if the segment will not be more responsive to a distinct offering, then the segment can probably be combined with another similar segment

- Behavioral segmentation digs deeper into customer habits than demographic segmentation. It’s also one of the most popular customer profile types to be integrated into marketing campaigns.
- This type of market segmentation is comprised of behavior patterns, like customer loyalty or engagement level. This is specific to customer interactions with a brand or company. Other behavioral segmentation variables can include:
- benefit sought from product or service
- readiness to buy or purchase
- usage-based segmentation
- common characteristics

- Psychographics are a type of customer segmentation that focus on inner or qualitative traits. Psychographic segmentation variables can include:

- habits
- hobbies, activities, or interests
- values or opinions
- personality or attitude
- lifestyle
- social status

Note- Psychographic attributes are the ones that aren't obvious just by looking at your customer, like demographic segmentation. Instead, psychographics require deeper analysis.

- Demographics are the breakdown of your customer personas in the market for cursory traits like age or gender. These traits offer basic information on your customers, and are often considered one of the more broad segmentation types. Examples of demographic segmentation include age, income, family size, education, or gender.
- Dive into these segments to cut down on time and resources to understand your target audience. Or, tap into potential consumers that have yet to be honed in on. Demographics are generally less invasive to collect than other segmentation types.

- Other demographic segmentation variables can include:

- Occupation
- Marital status
- Political party status
- Race
- Religion
- Living status (if your subject is a homeowner or renter)

- Geographics are the study of your customer based on their physical location, which can affect more physical interactions in the market. Consumers grouped together in similar locations may share similar preferences. That's why this type of market segmentation is great to pair alongside more abstract types, like behavioral.

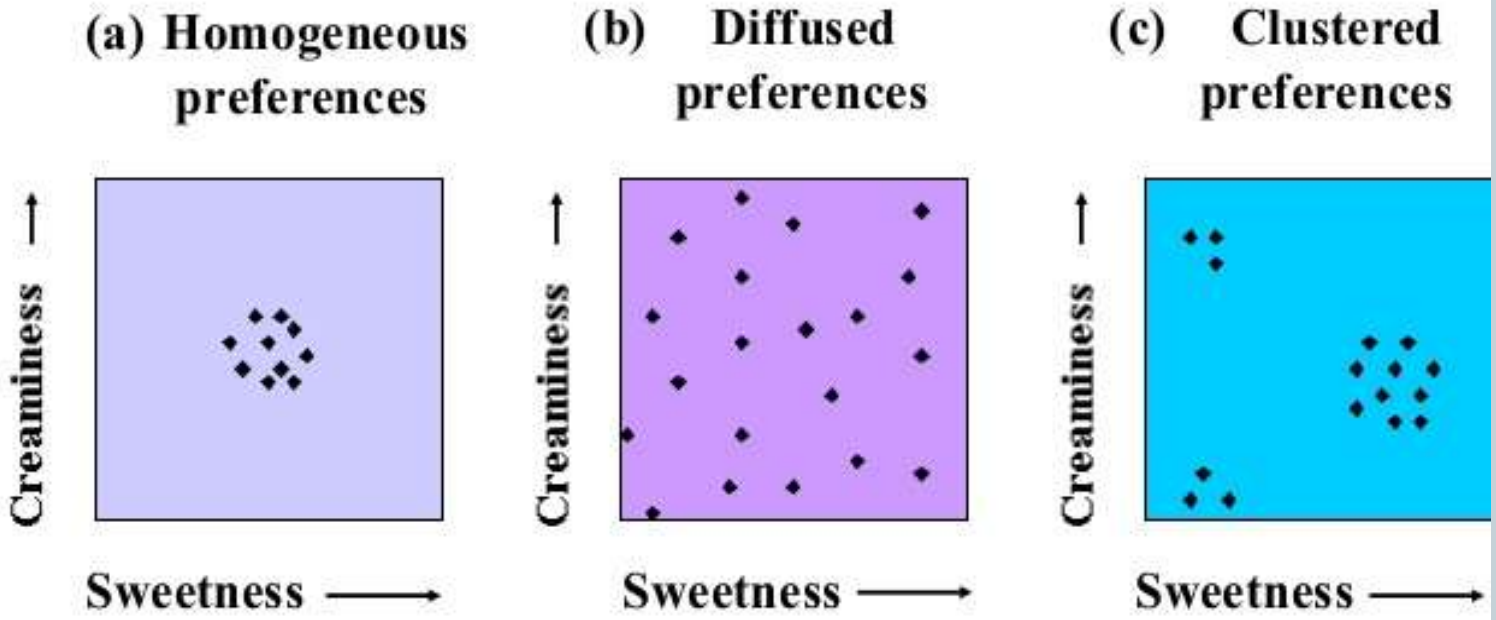
- Geographic segmentation variables can include:

- city
- state
- country
- population density
- economic status
- zip code
- regional climate

- Firmographics are used to describe the attributes of firms or businesses. Put simply, firmographics are to firms and investors as demographics are to people. Companies can use this type of segmentation to determine whether or not a smaller firm is apt for an investment.
- With millions of firms across the globe, businesses can use firmographics to identify prospects based on size, scale, and funding. Firms can also be broken down into sections of:

- non-profits
- businesses
- governmental entities
- agencies
- small-retail shops
- independent contractors

Levels and Patterns of Market Segmentation



Patterns of market segmentation

1) Homogenous preferences

Shows a market where all the consumers have roughly the same preferences. The market shows no natural segments

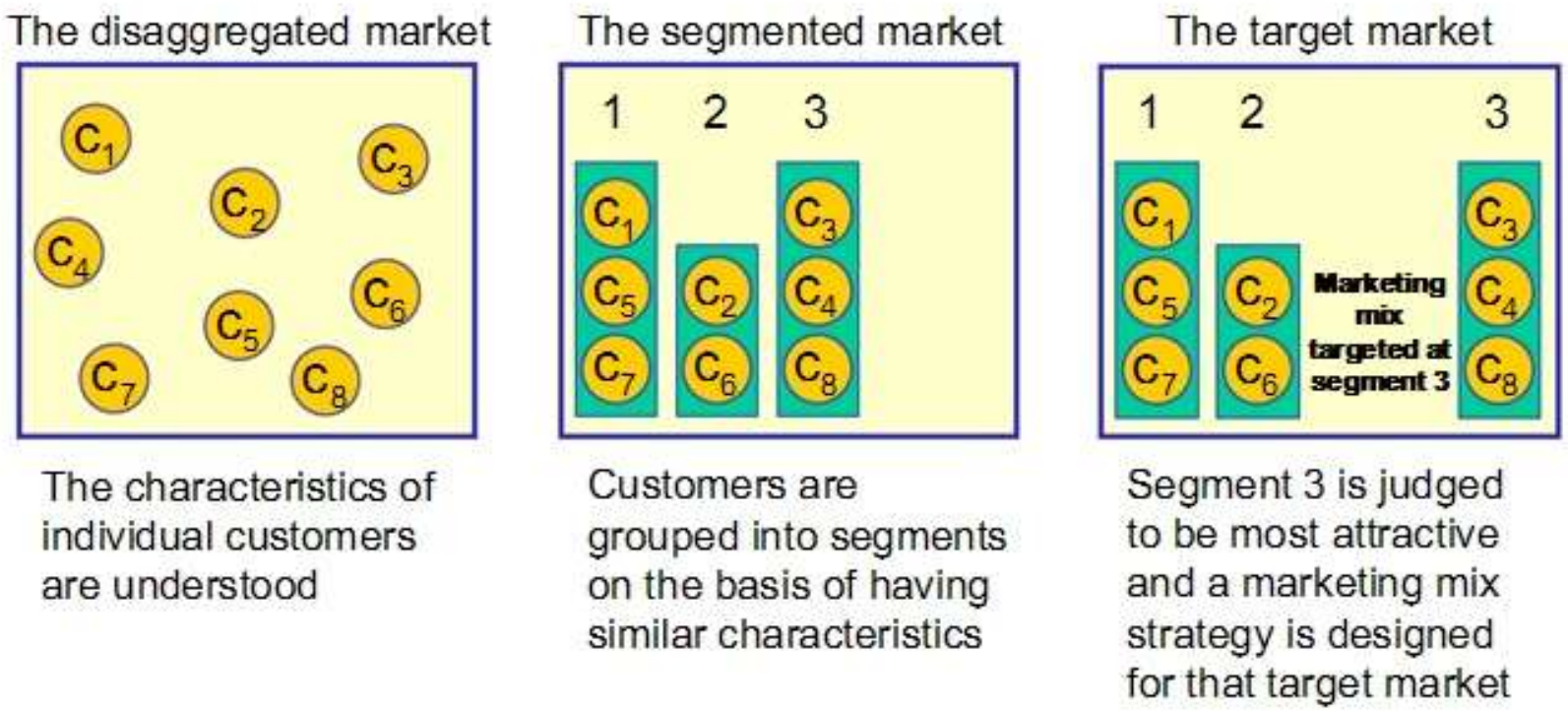
2) Diffused preferences

Shows that customers vary greatly in their preferences

3) Clustered preferences

The market might reveal distinct preference clusters called natural market segments.

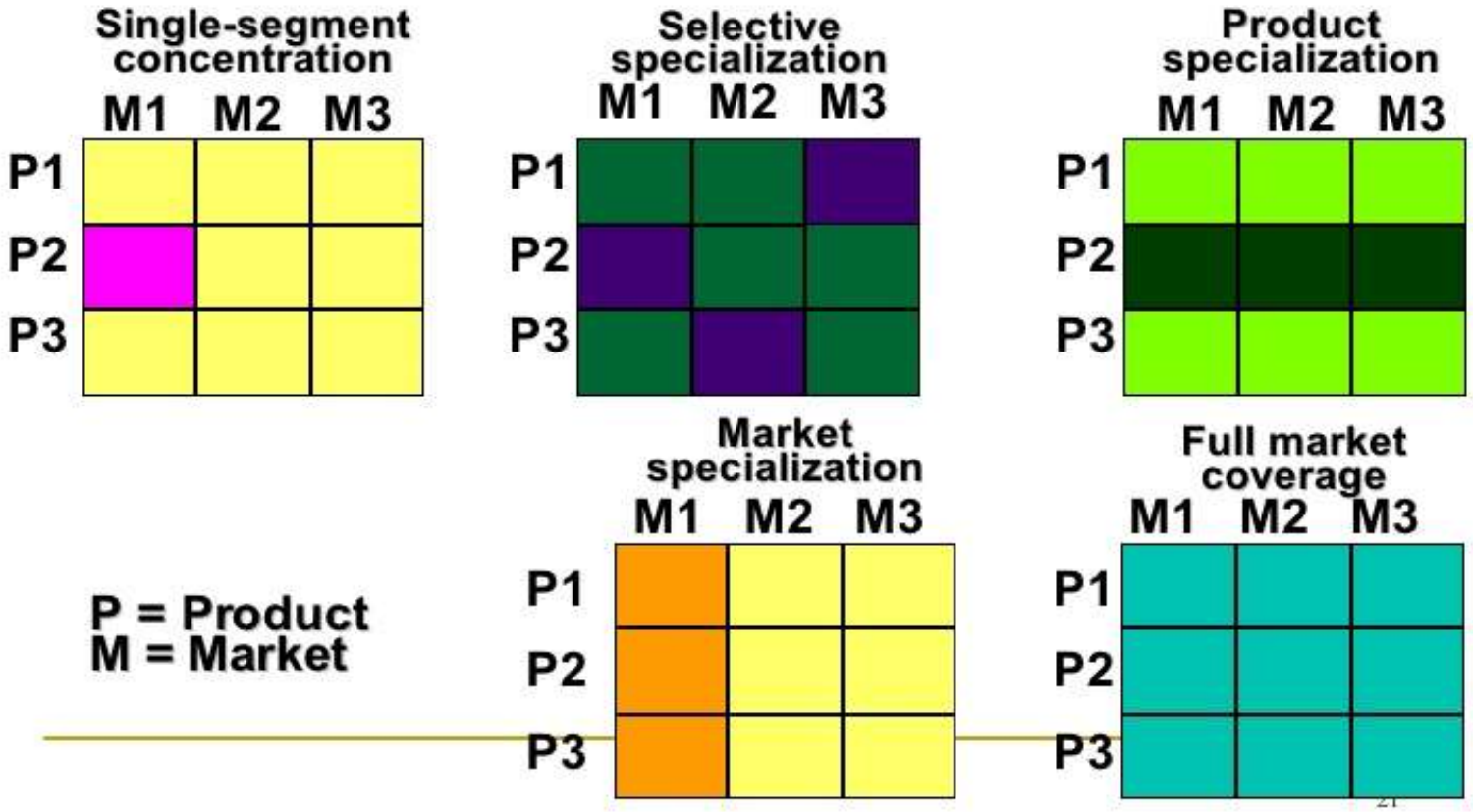
Segmentation and Targeting Process



Target Market

- A **target market** is a group of customers within a business's serviceable available market at which a business aims its marketing efforts and resources. A target market is a subset of the total market for a product or service.
- The target market typically consists of consumers who exhibit similar characteristics (such as age, location, income or lifestyle) and are considered most likely to buy a business's market offerings or are likely to be the most profitable segments for the business to service.

Five Patterns of Target Market Selection



- **Single Segment Concentration** e.g. Porsche (sports car only, targeted at the rich and famous)
- **Selective Specialization** e.g. Procter & Gamble personal care products (different products for different markets)
- **Product Specialization** e.g. microscope (sold to different markets such as universities, government and commercial laboratories)

- **Market Specialization** e.g. firms that sell assortment of products only to university laboratories
- **Full Market Coverage** e.g. Coca-Cola

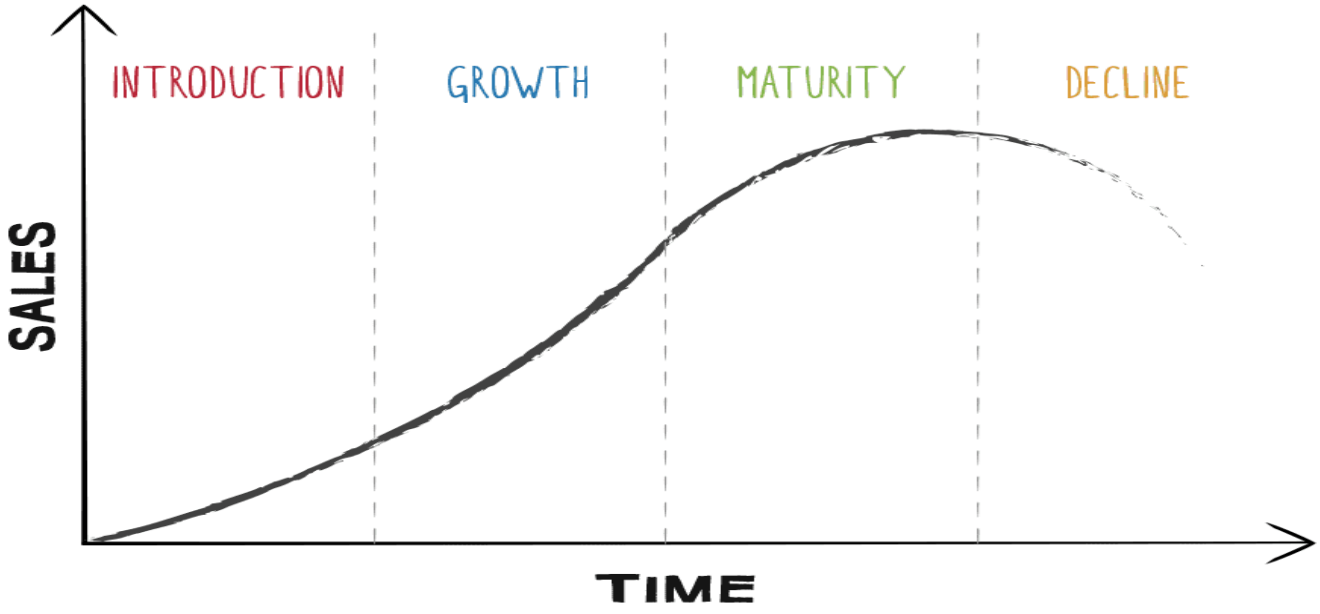
The diagrams illustrate these five patterns.

Note: P = Product, M = Market

The product life-cycle (PLC)

- **Definition**: The product life-cycle (PLC) refers to the different stages a product goes through from introduction to withdrawal.
- The product life-cycle refers to a likely pathway a product may take. It has implications for the marketing strategy of a firm as it seeks to introduce, grow and maintain market share.

THE PRODUCT LIFECYCLE MODEL



ESSENTIAL MARKETING MODELS HTTP://BIT.LY/SMARTMODELS

In this case, the product has four stages

- **Introduction** – when the product is introduced and struggles to gain brand recognition.
- **Growth** – advertising and word of mouth helps the product to increase sales. As sales growth, more firms are willing to stock the product which helps the product to grow even further.
- **Maturity** – When the product reaches peak market penetration.
- **Decline** – the product gets eclipsed by new products

Example of the Product Life Cycle

- **Introduction – Self-driving cars**. Self-driving cars are still at the testing stage, but firms hope to be able to sell to early adopters relatively soon.
- **Growth** – Electric cars. For example, the **Tesla Model S** is in its growth phase. Electric cars still need to convince people that it will work and be practical. As there are more electric charging points and more people adopt, it becomes easier to sell to those who are more sceptical of new technology like electric cars.

- **Maturity – Ford Focus**. The Ford Focus is a well-established car. It has a good brand reputation and has reached its peak level of market penetration. It would be difficult to gain a significantly greater market share. The product life cycle of the Ford Focus has been extended by constant upgrades and redesigns to keep the car on top of the market.
- **Decline** – Diesel cars. Since governments have expressed concern at the level of pollution from diesel cars. Some cities have threatened to ban diesel cars within a few years. Sales have fallen considerably and the market for diesel cars may be in terminal decline.

Important of Four Phases: Management of Four Phases of PLC

- **Introduction phase**
- Raising product awareness through advertising / word of mouth.
- Offering the product at discount – penetration pricing to tempt customers to try the product.
- Target early adopters and influential market leaders. For example, firms may offer free product reviews to influential bloggers in the market.
- Firms need to find willing suppliers who are willing to stock.
- This phase will not be profitable because costs are high, but revenue relatively low.

Growth

- Firms need to capitalise on growth to extend product sales from small retailers to big supermarkets.
- Firms can change marketing from niche areas to a more mass market.
- The firm can adapt to consumer feedback and offer new features/better consumer support.

Maturity

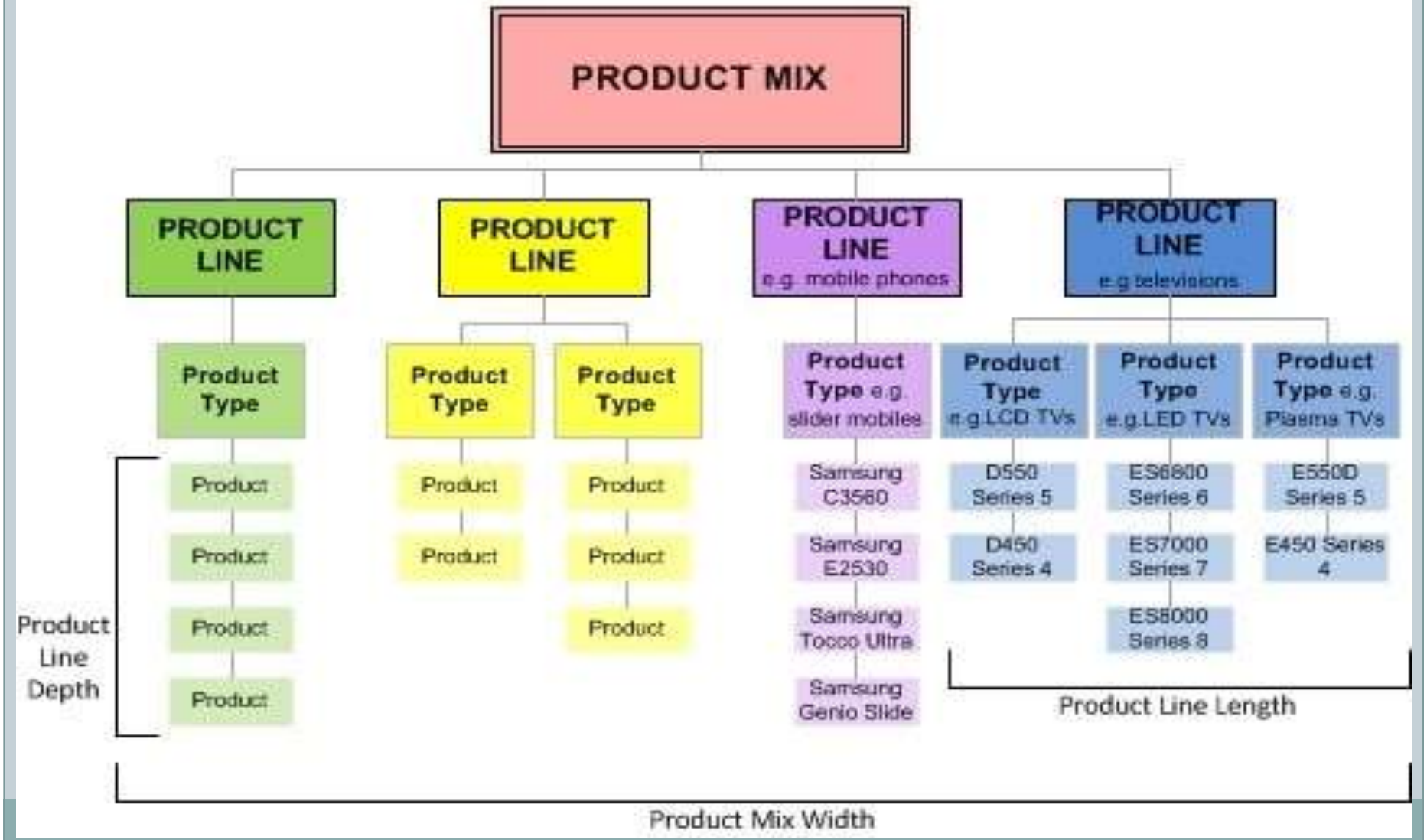
- With peak market penetration, the firm may seek to increase prices to increase profitability. However, if the market is very competitive the firm may feel the need to keep prices low to defend market share.
- The firm may concentrate on seeking to improve the product to gain market differentiation and extend the period of maturity.

Decline

- In the decline phase, the firm may feel it is best to let the product go – e.g. diesel cars cannot solve issues of pollution and damage to its brand reputation.
- However, with an iPhone, Apple let old models go, to be replaced by the next model.
- Decline and discontinuing the product can be a way to force customers to buy an upgrade – next time their contract expires.
- Managed decline by targeting on a niche market.
- For example, vinyl records have declined, but now they have become a very profitable niche for record labels. Total sale revenues from vinyl are close to sale revenues from digital downloads because record companies can charge a premium price for the good.

- A product is an item produced or procured by the business to satisfy the needs of the customer. It is the actual item which is held for sale in the market. A company usually sells different types of products. For example, Coca-Cola has around 3500+ product brands in its portfolio. These different product brands are also known as product lines. A combination of all these product lines constitutes the product mix.

Product Mix


PRODUCT MIX
PRODUCT LINE
PRODUCT LINE
PRODUCT LINE e.g. mobile phones
PRODUCT LINE e.g televisions
Product Type
Product Type
Product Type
Product Type e.g. slider mobiles
Product Type e.g.LCD TVs
Product Type e.g.LED TVs
Product Type e.g. Plasma TVs
Product
Product
Product
Product
Product
Product
Product
Product
Product
Samsung C3560
Samsung E2530
Samsung Tocco Ultra
Samsung Genio Slide
D550 Series 5
D450 Series 4
ES6800 Series 6
ES7000 Series 7
ES8000 Series 8
E550D Series 5
E450 Series 4
Product Line Depth
Product Line Length
Product Mix Width

What Is Product Mix?

- Product mix, also known as product assortment, is the total number of product lines that a company offers to its customers. The product lines may range from one to many and the company may have many products under the same product line as well. All of these product lines when grouped together form the product mix of the company.
- The product mix is a subset of the marketing mix and is an important part of the business model of a company. The product mix has the following dimensions

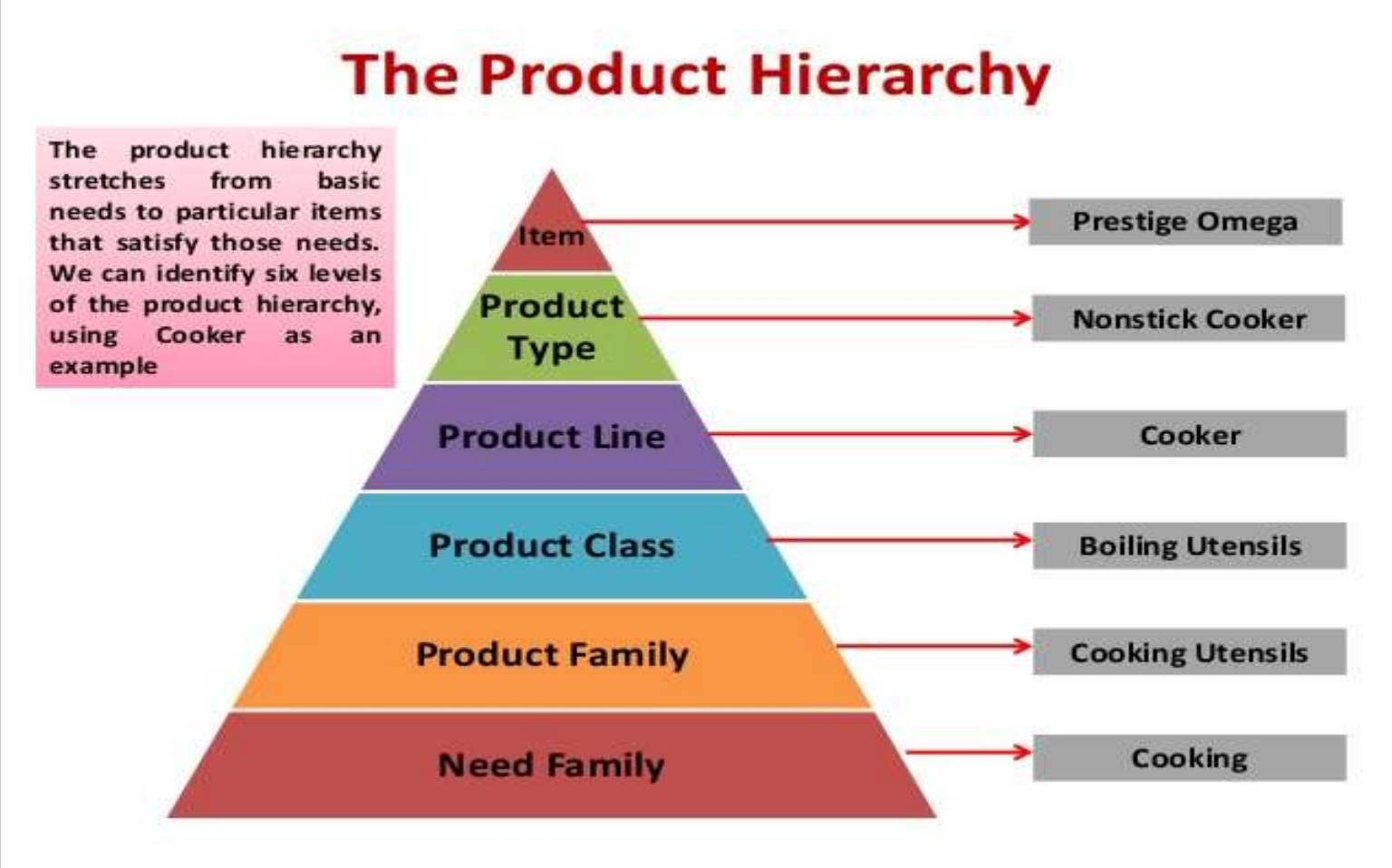
- **Width**
- The width of the mix refers to the number of product lines the company has to offer.
- For example – if a company produces only soft drinks and juices, this means its mix is two products wide. Coca-Cola deals in juices, soft drinks, and mineral water, and hence the product mix of Coca-Cola is three products wide.
- **Length**
- The length of the product mix refers to the total number of products in the mix. That is if a company has 5 product lines and 10 products each under those product lines, the length of the mix will be 50 [5 x 10].

- **Depth**
- The depth of the product mix refers to the total number of products within a product line. There can be variations in the products of the same product line. For example – Colgate has different variants under the same product line like Colgate advanced, Colgate active salt, etc.
- **Consistency**
- Product mix consistency refers to how closely products are linked to each other. Less the variation among products more is the consistency. For example, a company dealing in just dairy products has more consistency than a company dealing in all types of electronics.

Product Hierarchy

- **Definition**
- Product hierarchy is the classification of a product into its essential components. It is inevitable that a product is related or connected to another. The hierarchy of the products stretches from basic fundamental needs to specific items that satiate the particular needs. Product hierarchy is better understood by viewing the business as a whole as opposed to looking at a specific product. Product hierarchy is usually mentioned in the same sentence with product classification and therefore can be viewed as a way of product classification.

https://www.google.com/search?q=product+mix+and+product+hierarchy+in+marketing&safe=active&rlz=1C1CHBF_enIN912IN912&sxsrf=ALeKk00_cK0dJuJ2s8P3aHLAIVRop_JIaA:1602655374679&source=lnms&tbm=isch&sa=X&ved=2ahUKEwig_LfCtLPsAhVw4XMBHeqjDAgQ_AU0AX0ECAwQAw&biw=1366&bih=568#imgrc=qybzxfNM6SJDjM



Product hierarchy levels

- **Product need** – the product need is the primary reason for the existence of a product. For example, motor vehicles exist because people have to and want to travel. This is the core product need, for example, Toyota vehicles.
- **Product family** – in product family, the core need satisfied by a product is the focus. This means that the attention should not be on the individual market but rather the entire business market. For example, if travelling is the core need, then it can be satisfied by planes, trains or ships. In this particular case, the product family is travel and for Toyota, the product family is vehicles.
- **Product class** – product class occurs when categories are drawn from the same company. It is similar to product family only that product class doesn't go outside the company, unlike product family. Personal computers constitute an instance of product class.

- **Product line** – a product line consists of the entire group of products included in a class of products and these products are related because they perform a comparable function, are purchased by the same group of customers or fall within a certain price range. An example of a product line is a laptop, which is a portable and wireless type of personal computer.
- **Product type** – this refers to the various products within a product line. For example, under Hyundai I20 product line, we have product types such as I20Astana, I20 sportz and I20 Magna.
- **Product unit** – this is also referred to as the stock keeping unit (SKU) and it is a discrete item within a product type of brand that can distinguish itself by size, price or any other feature. A product becomes an individual product unit if it is independent and no other product type is dependent on it.

Product Development

1. Concept

Description of Activities:

- Idea Generation:
  - Requests
  - Customer Pain
  - Market Studies
  - Legislation
  - Competitors

Key Deliverables:

Product Concept Doc.

2. Research

Description of Activities:

- Assess Market:
  - Segments & Size
  - Growth Potential
  - Customer Needs
  - Legal Issues
  - Competition

Key Deliverables:

Market Research Report

Market Req. Document

Product Definition Statement

3. Analysis

Description of Activities:

- Business Analysis:
  - Cost/Benefit
  - Resources Required
  - Capital Expenses
  - Profitability/Margin
  - Anticipated Sales

Key Deliverables:

Business Case

Profitability Analysis

Product Req. Document

4. Develop

Description of Activities:

- Product Development:
  - Technical Specs
  - Prototyping
  - Trial Production
  - Testing & QA
  - Test Market Selling

Key Deliverables:

Product Dev. Schedule

Product Testing Report

Test Market Sales Report

5. Launch

Description of Activities:

- Go To Market:
  - Marketing Plan
  - Sales Training
  - Distribution Plan
  - Collateral Design
  - Set Launch Date

Key Deliverables:

Product Launch Plan

Product Launch Budget

Product ROI Forecast

Target Launch Date Set

Checkpoint #1

Description of Activities:

- Review Deliverables

Decisions:

- Go/No-Go to Research
- Incubate Idea or Kill

Checkpoint #2

Description of Activities:

- Review Deliverables

Decisions:

- Go/No-Go to Analysis
- Incubate Idea or Kill

Checkpoint #3

Description of Activities:

- Review Deliverables

Decisions:

- Go/No-Go to Develop
- Incubate Idea or Kill

Checkpoint #4

Description of Activities:

- Review Deliverables

Decisions:

- Go/No-Go to Launch

Checkpoint #5

Description of Activities:

- Review Deliverables

Decisions:

- Go/No-Go to Market