

MARKETING MANAGEMENT

UNIT-1

PART-XII

PATTERNS OF SEGMENTATION

Market segmentation starts from the total market' concept and divides a market by one or several criteria. On the basis of characteristic features of each segment, a marketing mix is designed to reach the target segment. It is basically a customer-oriented approach and often described as "Rifle approach" with separate programmes for same target market. Segmentation tries to find out answer for the question: "What are the characteristics of the overall market and how can it be divided into meaningful segments" On the other hand, product differentiation begins with and stress on the product. The objective of product differentiation is to distinguish one firm's products from another's. The differences, thus, created may be real or superficial. For example, the Xerox copier is entirely different from cyclo-styling or photo state copiers because copies can be taken on plain papers from the former. Here the difference is real. But in the matter of soaps or blades one cannot always feel a real difference. The difference felt if any, is due to the conscious marketing effort of the manufacturer by using brand names or packaging. The method in which a manufacturer is attempting to convince consumers that a particular product is different from similar items, is termed as product differentiation. Some of the important alternatives adopted to put segmentation in practice are illustrated in Fig. 8.10.

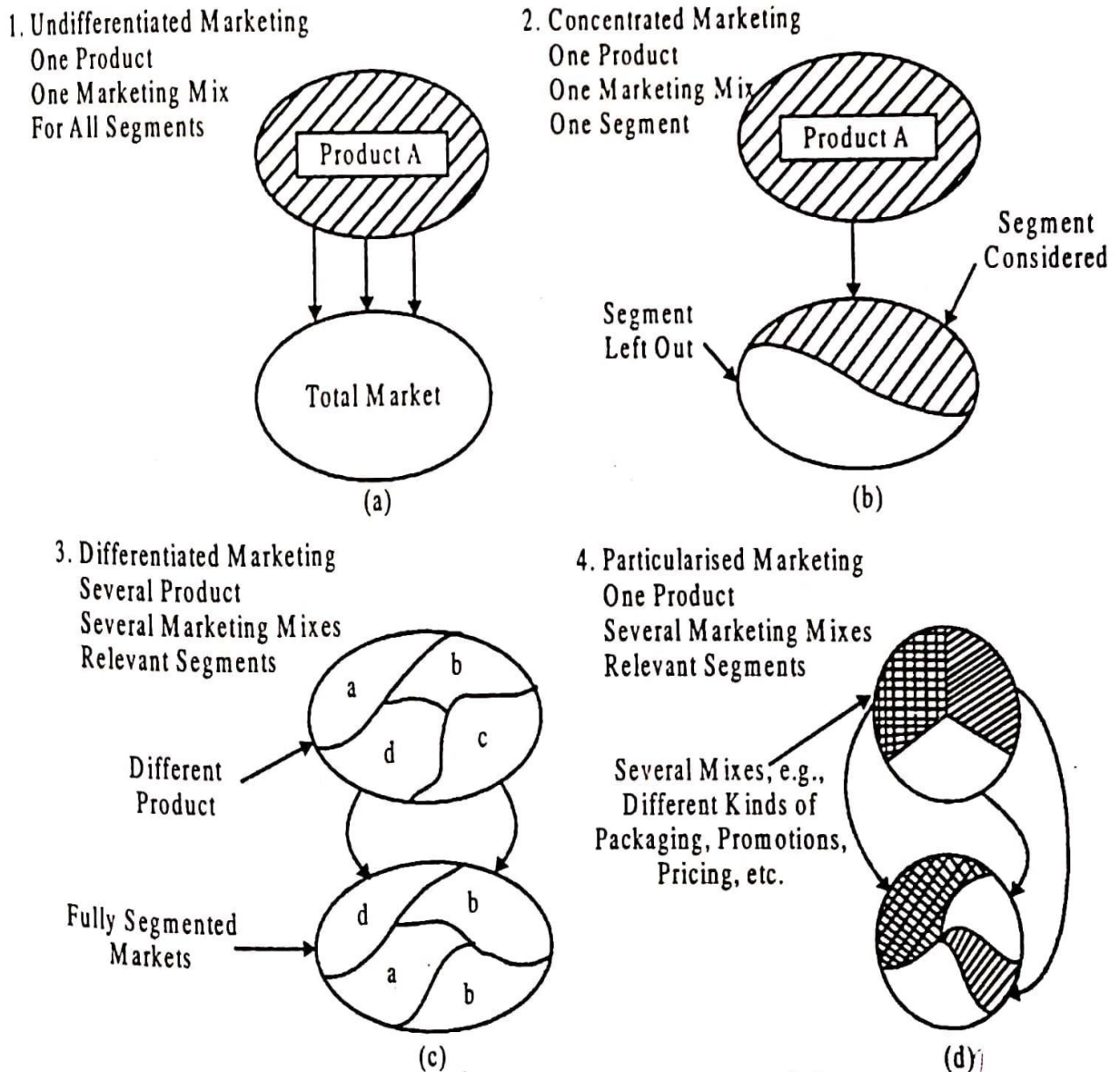


Fig. 8.10: Different Strategies on "Product Differentiation"

The terms, product differentiation and product positioning, are very often treated synonymously. Product positioning is "finding a place in the market for a new product, in relation to all other products, that how the potential buyer perceives as possible substitutes." Thus, product positioning is psychological in nature; it results in certain attitudes developed in consumers towards a product or service. On the contrary, product differentiation aims at creating distinction among similar products. Both are, however, closely related in the sense that product positioning influences the development of attitude of a customer towards a product which, in turn, forms the basis for adopting the strategy of product differentiation. Cigarette provides an excellent example in this connection. Wills Cigarettes Made for each other slogan

is for creating a separate attitude for that brand of cigarette and product differentiation is followed stressing the same slogan further. An example for segmenting market for hand tools is given below.

Market Segmentation for Hand Tools

It is reported that hand tools industry all over the world has made rapid progress in three distinct segments. They are:

1. Professional Segment. Market, in this segment, is composed of various industrial units: specialised workshops, etc. They maintain high degree of accuracy in their operations, and hence, they show the following characteristic features:

- (a) Quality tools,
- (b) Brand very important,
- (c) Durability not considered much, and
- (d) Maximum sophisticated adjustments expected.

2. Semi-professional Segment. The very characteristic of this segment is that it lays emphasis on quality and durability. Price is also a determining factor. The users of this segment are constituted by small workshops, automobile garages, etc. Dependable quality is of utmost importance in this segment because the tools in this category are subject to continuous use and the wear and tear is greater. Exterior finish, however, is not given consideration as is in the former case.

3. "Do-it-yourself" Market Segment. Popularly referred to as DIY segment, here preferences for cheap quality tools. Durability not considered, but price is an important factor. This segment prefers very attractive packaging and presentation. The users are non-professionals and technical, Brand loyalty is very strong in this segment.

At present, manufacturers of hand tools in India concentrate their efforts on the third segment, obviously for two reasons:

1. This is the largest among all the segments.
2. Quality is not a criterion for this segment instead product and packaging features are great preferred.

It should, however, be noted that market segmentation is not a cure that could be blindly followed by all firms. In fact, cost of selling will be increased by segmenting the market. For example, differential products mean fewer economies of scale and higher production costs. Greater variety of items leads greater product complexity. Further, different promotional strategies for various segments may mean higher promotional expenditure. Distribution costs are also likely to be increased. The practice of segmentation also raises some difficulties. For instance, markets may be too small to be segmented in an economical way or markets may not have enough distinguishing characteristics so that markets could be segmented. But, for planning the marketing effort, segmentation is highly useful. Today, it is not possible to sell simply what one produces. It is aptly remarked that it is not the products but the satisfactions that are sold'. According to Theodore Levitt, "Companies take a narrow view of their market because they think in terms of their product offering, rather than in terms of the fundamental needs which these products satisfy."