

Chapter 2

CONSUMER BEHAVIOUR AND MARKET SEGMENTATION

Meaning of Consumer

Consumer is an individual who buys the products and services for personal use and not for the manufacture or resale. A consumer is someone who can make the decision whether or not to purchase an item at the store and someone who can be influenced by marketing and advertisements.

Definition of Consumer

According to Oxford Dictionary, “Consumer is a person who purchases goods and services for personal use”.

Meaning of Consumer Behaviour

Consumer behaviour is the study of how individual, groups or organisations select, buy, use and dispose of goods and services to satisfy their needs and wants.

Consumer behaviour refers to the psychological, social and physical behaviour of potential consumers as they become aware of, evaluate, purchase, consume and tell others about the products or services.

Nature of Consumer Behaviour

1. **Process:** Consumer behaviour is a systematic process relating to buying decisions of the customers. The buying process consists of the following steps
 - Need identification to buy the product
 - Information search relating to the product
 - Listing of alternative brands
 - Evaluating the alternative (cost-benefit analysis)
 - Purchase decision
 - Post-purchase evaluation by the marketer
2. **Influenced by various factors:** Consumer behaviour is influenced by a number of factors. The factors that influence consumers are marketing, personal, psychological, situational, social, cultural, etc.
3. **Different for all customers:** All consumers do not behave in the same manner. Different consumers behave differently. The difference in consumer behaviour is due to individual factors such as nature of the consumer's lifestyle, culture, etc.
4. **Different for different products:** Consumer behaviour is different for different products. There are some consumers who may buy more quantity of certain items and very low/no quantity of some other items.

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5. **Region-bounded:** The consumer behaviour varies across states, regions and countries. For instance, the behaviour of urban consumers is different from that of rural consumers. Normally, rural consumers are conservative (traditional) in their buying behaviour.
6. **Vital for marketers:** Marketers need to have a good knowledge of consumer behaviour. They need to study the various factors that influence consumer behaviour of their target customers. The knowledge of consumer behaviour enables marketers to take appropriate marketing decisions.
7. **Reflects status:** Consumer's buying behaviour is not only influenced by status of consumer, but also reflects it. Those consumers who own luxury cars, watches and other items are considered by others as persons of higher status.
8. **Spread effect:** Consumer behaviour has a spread effect. The buying behaviour of one person may influence the buying behaviour of another person. For example, a customer may always prefer to buy premium brands of clothing, watches and other items, etc. This may influence some of his friends, neighbors, colleagues. This is one of the reasons why marketers use celebrities like Shahrukh Khan, Sachin to endorse their brands.
9. **Standard of living:** Consumer buying behaviour may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living.
10. **Dynamic:** The consumer's behaviour undergoes a change over a period of time depending upon changes in age, education and income level, etc. For example, kids may prefer colourful dresses, but as they grow up as teenagers and young adults, they may prefer trendy clothes.

Determinants or factors influencing Consumer Behaviour

1. Cultural Factors: Consumer behavior is deeply influenced by cultural factors such as

- a. **Culture:** Culture refers to the cumulative deposit of knowledge, experience, beliefs, values, attitudes, meanings, hierarchies, religion, notions of time, roles, spatial relations, concepts of the universe, and material objects and possessions acquired by a group of people in the course of generations through individual and group striving. Culture is the part of every society and is the important cause of person wants and behavior. The influence of culture on buying behavior varies from country to country therefore marketers have to be very careful in analyzing the culture of different groups, regions or even countries.
- b. **Sub Culture:** Each culture contains smaller sub cultures based on common life experiences and situations. Sub culture includes nationalities, religions, racial group and geographic regions. Many sub culture make up important market segments and marketers often design products.

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- c. **Social Class:** Every society possesses some form of social class which is important to the marketers because the buying behavior of people in a given social class is similar. In this way marketing activities could be tailored according to different social classes. Social classes are society's relatively permanent and ordered divisions whose members share similar values, interests and behaviour.

2. Social Factors: Social factors also impact the buying behavior of consumers. The important social factors are

- a. **Reference Groups:** Reference groups have potential in forming a person attitude or behavior. The impact of reference groups varies across products and brands. For example if the product is visible such as dress, shoes, car etc. then the influence of reference groups will be high. Reference groups also include opinion leader a person who influences other because of his special skill, knowledge or other characteristics.
- b. **Family:** Family members can strongly influence buyer behaviour. The family is the most important consumer buying organization society and it has been researched extensively. Marketers are interested in the roles, and influence of the husband, wife and children on the purchase of different products and services.
- c. **Roles and Status:** A person belongs to many groups, family, clubs, and organizations. The person's position in each group can be defined in terms of both role and status. For example, Ram plays the role of father, in his family he plays the role of husband, in his company, he plays the role of manager, etc. A Role consists of the activities people are expected to perform according to the persons around them.

3. Personal Factors: Personal factors can also affect the consumer behavior. Some of the important personal factors that influence the buying behavior are

- a. **Age and life-cycle:** Age and life-cycle have potential impact on the consumer buying behavior. It is obvious that the consumers change the purchase of goods and services with the passage of time. Family lifecycle consists of different stages such young singles, married couples, unmarried couples etc which help marketers to develop appropriate products for each stage.
- b. **Occupation:** A person's occupation affects the goods and services bought. Blue collar workers tend to buy more rugged work clothes, whereas white-collar workers buy more business suits. A Company can even specialize in making products needed by a given occupational group. Thus, companies will design different products for brand managers, accountants, engineers, lawyers, and doctors.
- c. **Economic situation:** Consumer economic situation has great influence on his buying behavior. If the income and savings of a customer is high then he will purchase more expensive products. On the other hand, a person with low income and savings will purchase inexpensive products.

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- d. **Life Style:** Lifestyle of customers is another important factor affecting the consumer buying behavior. Lifestyle refers to the way a person lives in a society and is expressed by the things in his/her surroundings. It is determined by customer interests, opinions, activities etc. and shapes his whole pattern of acting and interacting in the world.
- e. **Personality:** Personality characteristics, such as individualism, dominance, difference, self-confidence, courage, firmness, sociability, mental balance, patience, etc., have a strong influence on needs and preferences. Every person buys that product which suits his personality. In case of clothing, automobiles, shoes, perfumes, etc., products are influenced by users' personality characteristics.

4. Psychological Factors: A person's buying choices are influenced by five major psychological factors

- a. **Motivation:** Motivation is the driving force within an individual generated by a state of tension caused by unfulfilled needs and wants. Motivation is a process of willingness to expend energy to achieve a goal or a reward. It is an urge inside a human being to achieve something.
- b. **Perception:** Perception is defined as the process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world. Perception differs from individual to individual. It is the way a person sees the world around him. It is a personal phenomenon. Perception is that process, which involves seeing, receiving, selecting, organizing, interpreting and gives meaning to the things around him.
- c. **Learning:** People with the same culture, social class, and occupation may differ in terms of their life style. Lifestyle refers to the way a person lives in a society and is expressed by the things in his/her surroundings. It is determined by customer interests, opinions, activities etc and shapes his whole pattern of acting and interacting in the world.
- d. **Beliefs:** A belief is a descriptive thought that a person holds about something. Beliefs are centered on knowledge, opinion or faith. This might or might not carry an emotional charge. The manufacturers are very interested in them. Beliefs carried by the customers about their products and services.
- e. **Attitudes:** An attitude is a person's enduring favourable or unfavourable evaluations, emotional feelings, and action tendencies toward some object or idea. People hold attitudes toward almost everything, such as religion, politics, clothes, music, food, product, company, and so on. Attitudes decide liking or disliking of object.

Meaning of Market Segmentation

Market segmentation is the process of dividing market of potential customers into groups or segments based on different characteristics.

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Objectives Market Segmentation

1. **Adjustment of product and marketing appeals:** Market segmentation presents an opportunity to understand the nature of the market. The seller can adjust his product to attract the maximum number of customers by various publicity media and appeals.
2. **Better position to spot marketing opportunities:** The producer can make a fair estimate of the volume of his sales and the possibilities of furthering his sales. In the regions where response of the consumers is poor, the strategy of approach can be readjusted to push the sales on the basis of marketing research. On the basis of research, habits, tastes, hobbies and the nature of consumers of different markets can be understood deeply, new to harness marketing opportunities.
3. **Allocation of marketing budget:** It is on the basis of market segmentation the marketing budget is adjusted for a particular region or locality. In the place where the sales opportunities are limited, it is no use of allocating a huge budget there.
4. **Making the competition effective:** It help the producer to face the competition of his rivals effectively. The producer can adopt different policies, program, and strategies for different markets taking into account the rivals strategies, policies and program.
5. **Effective marketing program:** It helps the producer to adopt an effective marketing program and serve the consumer better at comparatively low cost. Different marketing program can be attached for different segments.
6. **Evaluation of marketing activities:** Market segmentation helps the manufacturer to find out and compare the marketing potentialities of the products. It helps to adjust production and in using his resources in the most profitable manner. As soon as the product becomes obsolete, the product line could be diversified or discontinued.
7. **Increase in sales volume:** By segmenting the market, the producer can increase his sales volume. Each segment has demand pattern and the producer satisfies the demand of each segment by improving his product. The total sales volume for the enterprise increases.

Benefits of Market Segmentation

Consumers have different needs and preferences. When differences in customer needs are analyzed, the analysis may reveal that certain customer needs are not being met and the marketer can exploit such a marketing opportunity and fill these needs. This can yield profits and prospects for growth. Segmentation ensures higher customer satisfaction and improves effectiveness of the marketing programmes. It offers the following specific benefits

1. **Know your customers better:** The market segmentation helps to study the market needs and potential consumer. It helps in designing products that really match the demands of the target

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audience. Products with high market potential can be designed and directed to meet the satisfaction of the target market.

- 2. Higher customer satisfaction:** Market segmentation enables a company to concentrate its marketing efforts in a particular market area, thereby, providing a better service to the target customers. Companies can develop marketing programmes and budgets based on a clearer idea of the response characteristics of specific market segments. It also enables to fix prices of the goods and services since different market segments have different price perceptions. Proper marketing segmentation can facilitate customer satisfaction.
- 3. Increases profitability:** It helps the business to target particular segments of the market and thus helps to find better business opportunities pertaining to that particular market segment. The marketers can thus, strategize their campaigns as per the chosen market segment needs and requirements and helps to increase the business profitability. This technique lets the companies focus on one particular segment rather than the whole market which in return gives increased profit.
- 4. Increases competitiveness:** When the focus and the target market is clearly identified to the marketers and the business team, then comes the competitiveness. As the target market is known to the business, the competition in the market will increase and the marketing team will come up with new innovative ideas to promote their brand better to stand out among the competitors. Different offers and discounts will help the marketing team to attract more consumers and knowing your consumers better will help gain brand loyalty.
- 5. Retention of customer:** Retaining customers is very crucial for the business and market segmentation helps in customer retention. Sellers can make best possible adjustments of their product and marketing appeals. Instead of one marketing programme aimed to draw in all potential buyers, sellers can create separate marketing programmes designed to satisfy the needs of existing customers. Proper advertising and sales promotional appeals can be made depending on the target audience. Proper advertising and sales promotional appeals can be made so that their needs can be catered well.
- 6. Creates and provides market opportunities:** Market segmentation helps to identify and recognize potential market opportunities. The marketer can study the needs of each segment in the light of current offerings by the competitors. From such study, the marketer can find out the current satisfaction of customers. Segments with low level of satisfaction from present offering may represent excellent market opportunities. The companies can work in these segments and provide a better product to the consumers than the already existing ones in the market and earn the consumer's loyalty.

Ex: Customers may not be satisfied with the current offering of water purifiers in terms of product or after-sale service. Such situation enables a marketer to launch a new range of water purifiers and market them well.

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7. **Effective marketing campaigns:** As the business knows the consumers and their needs, the marketing team can customize or personalize their marketing campaign accordingly and organize their strategies as per the need of the market which is directly proportional to the success of the business.
8. **Wise and efficient use of resources:** Market segmentation helps to save unnecessary time and effort engaged in the marketing campaign by identifying the potential areas of the market. As the customers are grouped as per their needs, commonalities, choices, statuses, etc. it becomes easy to target the audience for the marketers. Through market segmentation, the campaign management process is conducted very smoothly and efficiently in a cost-effective manner. Thus it helps to use the company resources and money in a more streamlined and efficient manner.
Ex: A small firm can effectively use its limited resources – money, sales force, etc – in one or two segmented markets rather than unsuccessfully aiming at a wider market.
9. **Assist in distribution strategies:** Segmentation also assists in adopting suitable distribution strategies. Different market segments may require different distribution mix.
Ex: If the product is of very high quality intended to target the upper class, then it must be distributed at prestigious outlets located at selective places.
10. **Higher rate of success:** Market segmentation means to study your market, to be more precise it helps to divide a bigger market into smaller modules and lets the marketers know the potential of the market/consumers which reduces the risk of loss and thus there are higher chances of success for the business.

Importance of Market Segmentation

1. **Examine the needs:** The marketer can examine the needs of each segment and determine to what extent the current offering satisfies these needs. Segments which have low level of satisfaction from current offerings represent opportunities for the marketer.
2. **Marketing budget:** With the help of knowledge about different segments, the marketer can better allocate the total marketing budget. The knowledge about marketing tools and customer response to serve act as the basis for deciding allocation of marketing funds to different customer groups.
3. **Modify the product:** The marketer can modify his product/service and marketing appeals to suit the target segment. Management can identify profitable segments which deserve special attention.
4. **Realistic selling targets:** Segmentation facilitates setting up of realistic selling targets and priorities.
5. **Deal with competition:** It is possible to deal with competition more effectively by using resources more effectively.

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6. **Effective marketing programme:** To help producer to adopt an effective marketing programme and serve the consumer better at comparatively lower cost. Diverse marketing programmes can be attached for various segments.
7. **Compare the marketing potentialities:** To help the manufacturer to find out and compare the marketing potentialities of the products. It helps to adjust production and use his resources in the most profitable manner.

Limitations of Market Segmentation

1. Complex markets require more than one segmentation variable to segment the market. For example, dividing the market solely on demography may be insufficient. Further study on psychographic variables, etc. may be required.
2. Some of the variables like lifestyle, personality are hard to identify and analyze. The segment should be identifiable and measureable in terms of size, purchasing power, etc. The target customers and the non-customers should be clearly defined for proper analysis. There should be data for doing meaningful analysis.
3. The segmentation process may be time consuming based on the many segmentation variables in the market.
4. Opportunities identified may require additional resources in the organization. The organization may not have the capabilities in terms of capital investment, skilled staff, etc.
5. Segment should be reached by the Marketing mix variables. The segment should respond uniquely to the marketing program designed for that segment. Each segment differs from the other, hence the marketing efforts are designed differently for each of the segment. If the response is not unique the marketers need to carry out the market research again or align the segment with the other segment.

Bases of market segmentation

The step towards developing a segmentation strategy is to allocate base for segmenting the market. These are different variables used for this purpose. The bases for market segmentation can be broadly classified into following groups

A) Customer based segmentation

1. Geographic location of customers: The starting point of all market segmentation is the geographic location of customers. It helps the firm in planning the marketing offer. The common method is to classify according to rural and urban, Metro or Non-Metro markets. There are also other classifications like district and block markets. We all know that here was the perception that the rural markets are different from urban markets and naturally the product promotion, pricing and distribution were accordingly designed to meet those markets. But now with the development of technology and the advent of various modes of communication like TV, the customers in the rural areas are much exposed and are more aware of the availability market. Today the rural customer buys the same branded product which is purchased by urban customer.

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2. Demographic Characteristics

- a. **Age:** Age is one of the most important factors for segmenting the market. The producer should know for what age group his product could be most suited so that he can plan his pricing policy, advertisement policy, marketing policy and strategy accordingly.
- b. **Income:** The manufacturer should also bear in mind while preparing his marketing policy, the income of the prospective buyers of his product. Consumer's needs, behaviour, persuasion etc. differ in different income groups. For example, people in high-income group prefer quality of goods, design, fashion-oriented products, etc. hence they can be motivated on these factors. People in low-income group attract towards low price.
- c. **Gender:** Marketers may also be divided on the basis of gender i.e., male and female. Some products are exclusively produced for women while some others are for men. For example Lip Stick is meant for a woman and on the other hand Shaving cream is only meant for men.
- d. **Occupation:** Occupation is also another variable in segmenting the market. An individual's employment does definitely affect the consumption, different categories of segments can be identified like doctors, consultants, entrepreneurs, lecturers etc.
- e. **Education:** Education of the consumer also affects the preference and taste. The choice of literate person would obviously differ from that of an illiterate, as a literate he would be having a lot of exposure to the outside world where as an illiterate although exist the same environment would lack the ability to understand, when we look at all these aspects it is easy to indicate that education plays an important role in the life of an individual.
- f. **Marital Status:** Marital status is another demographics variable used. The behavioral of single and married people differs. Married people are more conservative than unmarried people.
- g. **Family Size and Structure:** Markets may also be segmented on the basis of size of family. Refrigerators and cookers are produced in different sizes to suit the needs of families of different sizes.

3. Psychographics Variables: No two consumers act in the same manner though they two may be of the same age, from the same profession, same education and have same income. Each of the customers may have different attitudes because of personality and life-style differences. Markets are using psychographics variables to segment their market.

4. Buyer Readiness: Buyers are at different stages of readiness. People may be unaware, people who are aware but are not interested, people who are interested and desires to buy and those who will buy the product. The relative proportion of buyers at different stages will affect the marketer's tasks.

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B) Product related segmentation

Different customers use the same product in different situations for example, Rasna - for parties, unexpected guests, and a drink for quenching thirst etc. A market makes the product versatile so that it can be used in different situation. A consumer may buy different brands of the same product for different situations for e.g ., Saree-for kitty party, work place. Thus depending upon the situation, a product or a brand may be selected by the customers. Knowing these situations marketer can plan the positioning strategy. The marketer identifies benefits that the customer looks for when buying a product.

C) Competition Based Segmentation

The success in marketing depends on the number of loyal customers. Customer loyalty therefore is an important factor to determine the competitive position of the firm. On the basis of brand loyalty further the market could be classified as

1. **Hard Core Loyal:** These are the customers who buy the same brand, for examples Newspaper readers, tea drinkers, etc.
2. **Soft-core loyal:** Customers who are loyal to two or three brands in a product group, for e.g. Housewife buying toilet soap (Lux, Cinthol, Pears). The marketers have to watch such customers and shift them to the core loyal.
3. **Switchers:** Customers who never stick to a brand. This is a slipping market segment for the marketer. The marketer has to find out why customers keep switching from brand to brand and from the existing to the competing brand. This can help the firm to strengthen its competitive position in the market. The marketer should also take into account the factors like price, non-availability of brands, indifferent habit etc.

Target Market

A target market is a group of customers that the business has decided to aim its marketing efforts and ultimately its merchandise. A well-defined target market is the first element to a marketing strategy. The target market and the marketing mix variables of product, place, promotion and price are the four elements of a marketing mix strategy that determine the success of a product in the marketplace.

Basis for identifying target customers

1. **Characteristics:** Members of a target market share common needs and characteristics. These similarities are typically explained in terms of their demographic information. Common target market characteristics identified include age, gender, income, education and location. For instance, a target market for a neighborhood coffee shop could be well-educated people age 25 to 55 who live or work within a three block radius from the shop and have high paying, white collar jobs.

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2. **Importance:** Identifying the target market is important for a company because doing so allows it to tailor its advertising, pricing and promotions to appeal directly to the targeted audience. In contrast, a company that does not define its target market narrowly could end up with promotions and products that do not fully meet most customers' needs. Further, when a company fails to establish a target audience, it does not give itself the opportunity to compete directly with its competitors.
3. **Process:** Companies determine who to target by looking at segments of the population and comparing them based on their size and relative growth. Companies look at each segment's attractiveness.
4. **Considerations:** The company has to look at its own objectives, capabilities and resources, carefully examining the profit to be had by targeting a particular audience. For example, the baby boomer generation may be the largest segment of the population by age, but they are also less willing to spend on luxury items than their younger counterparts. For a luxury retailer, this is an important distinction; it needs to target the segment that is likely to spend the most on its products. Likewise, if a company cannot compete with the low-price providers, it is not going to target customers focused solely on the bottom line, but may instead try to demonstrate value or feature desirability.

Strategies of target market

1. **Selective Specialization:** The firm selects a number of segments, each objectively attractive and appropriate, given the firm's objectives and resources. There may be little or no synergy between the segments, but each segment promises to be a money maker.
2. **Product Specialization:** The firm concentrates on making a certain product that it sells to several segments. An example would be a microscope manufacturer that sells microscopes to university laboratories, government laboratories.
3. **Market Specialization:** The firm concentrates on serving the needs of particular customer group. The firm gains a strong reputation for specializing in serving this customer group and becomes a channel for all new products that this customer group could feasibly use.
4. **Single Segment Concentration:** In the simplest case, the company selects a single segment. Volkswagen concentrates on small car market. Through concentrated marketing the firms achieves a strong market position in the segment owing to its greater knowledge of the segment's needs and the special reputation it gains.
5. **Full Market Coverage:** A firm attempts to serve all customer groups with all products that they might need. Only large firms can undertake a full market coverage strategy. Large firms cover a whole market in two broad ways, namely, through undifferentiated marketing and differentiated marketing.

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Positioning

Positioning is a marketing strategy that aims to make a brand occupy a distinct position, relative to competing brands, in the mind of the customer. Companies may apply this strategy either by emphasizing the distinguishing features of their brand what it is, what it does and how, etc or they may try to create a suitable image inexpensive or premium, utilitarian or luxurious, entry level or high end, etc through advertising.

Importance of Positioning

1. Product positioning is an important element of a marketing plan.
2. Product positioning is the process marketers use to determine how to best communicate their products' attributes to their target customers based on customer needs, competitive pressures, available communication channels and carefully crafted key messages.
3. Positioning is the process of creating a distinct mental position or image of a product or a service in the mind of the customers as compared to other brands in the market.
4. Positioning helps to create a unique image of the brand and the product in the mind of the consumers in comparison with other products or brands which are already existing in the market.
5. In marketing, the positioning concept is followed after the market segmentation where the market is broken down and a target group for their product is identified using targeting strategy, which is collectively known as STP marketing strategy.

Bases of Positioning

1. **Positioning based on product characteristics:** Using product characteristics or benefits as a positioning strategy associates your brand with a certain characteristic that is beneficial to customers. For example, in the automobile industry, Toyota's position in the market is reliability, Porsche's position is performance and Volvo's position is safety.
2. **Positioning based on price:** Positioning your products or services based on price is associating your brand with competitive pricing. Usually, with pricing positioning strategy, a brand aims to be the cheapest or one of the cheapest in the market, and value becomes their position. For example, Supermarket chains often have a house brand with very low-price products in many product categories. Their lower logistical and distribution costs allow them to price their products lower than the competitors, so price-sensitive buyers will often purchase them without knowing the price because they know it is often the cheapest option.
3. **Positioning based on quality or luxury:** Often the price and quality of a product align, certainly in the mind of the consumer, as the high price is often associated with high quality. But positioning a product based on its high quality or 'luxury' is different from positioning based on price. Often these brands do not communicate their price point, but instead high quality or prestige is the focal point of communication, to create a desire so customers want the product regardless of the price.

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4. **Positioning based on product use or application:** Associating your product with a particular use is another way to position your brand in the market. For example, meal replacement supplements can be of use to anyone lacking time or wanting a quick convenient meal. There are also meal replacements designed specifically for people who want performance in the gym, so high in calories and added vitamins and minerals.
5. **Positioning based on competition:** Competitor based positioning focuses on using the competition as a reference point for differentiation. Brands highlight a key difference their product/service offers in their marketing to make it seem favourable and unique compared to other options in the marketplace. The product or services becomes unique.

Elements of positioning

1. **Pricing:** Pricing element verify the question about the product a luxury item, somewhere in the middle, or cheap.
2. **Quality:** Total quality is a much used phrase. Is the product well produced? What controls are in place to assure consistency? Do the quality claim with customer-friendly guarantees, warranties, and return policies?
3. **Service:** Do the offer is added value of customer service and support? Is the product customized and personalized?
4. **Distribution:** How do customers obtain the product? The channel or distribution is part of positioning.
5. **Packaging:** Packaging makes a strong statement. Make sure it's delivering the message intend.

Tasks involved in positioning

1. **Identifying the Competitors:** A first step is to identify the competition. One thing, which should be clear, is that there is basically two types of competitors. Primary competitors i.e., competitors belonging to the same product class and Secondary competitors, those belonging to other product category. This step of identifying the competitors is not as simple as it seems to be.
2. **Determining how the Competitors are Perceived and Evaluated:** The second step is related to determining the product positioning which is basically done so as to see, when the competitors products are purchased by the customers. It is to see comparative view. An appropriate set of product attributes should be chosen. The term 'attributes' includes not only product characteristics and consumer benefits but also product associations such as product use or product users. In any product category, there are usually a host of attribute possibilities.
3. **Determining the competitor's positions:** Next focus should be to determine how different brands (including our own brand) are positioned with respect to the relevant attributes selected under the previous step. At this point we should be clear about what is the image that the customer has about the various product brands? You have to see how are they positioned in

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respect to each other? Which competitors are perceived as similar and which as different? However a research can be taken up for getting the answer of these questions.

4. **Analyzing the Customer:** Now you need to analysis the customers habits and behaviour in a particular market segment. The following questions need attention while understanding the customer and the market - how is market segmented? What role does the product class pay in the customer's life style? What really motivates the customers? And what habits and behavior patterns are relevant?
5. **Making the positioning Decision:** The above four steps provide you a useful backgrounds and are necessary to be conducted before taking any decision about positioning. The managers can carry these steps or exercises. After these four exercises, the following guidelines can be offered to reach a positioning decision:
 - An economic analysis should guide the decision.
 - Positioning usually implies a segmentation commitment.
 - If the advertising is working
 - In making a decision on position strategy, symbols or set of symbols must be considered.
6. **Monitoring the position:** It is necessary to monitor the position overtime, for that you have variety of techniques that can be employed. It can be on the basis of some test and interviews which will help to monitor any kind of change in the image.

Thus, the first four steps in the process provide a useful background. The fifth one only; taken to make the position decision. The final step is to evaluate and measure and follow up.

Difference between Market Segmentation and Product Differentiation

Basis	Market Segmentation	Product Differentiation
Meaning	Market Segmentation is the practice of dividing your target market or potential customers based on different characteristics of consumers.	Product Differentiation is the process used by the business to distinguish product and service from other similar one's available in the market.
Focus	Focus on segmenting or dividing the consumers.	Focus on developing product to provide customer value.
Approach	This is a strategy of identifying particular customer based on shared traits such as age, race, gender, marital status, income, education and population.	This is a strategy of differentiating the product or brand by making it of better quality than competitor product.
Importance	It overcomes the inability to impact all possible customers with advertising	It is key element of positioning which is creating unique image of the brand in the

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	campaign or message.	mind of particular target audience.
Customer value	It can encourage the customer to buy from you again or trade up from lower priced product or service. Different customer have different disposable incomes, prices can be set according to how much they are willing to spend.	It is economically advantageous to the company. Provide a reason for the customers as to why their product is worth investing in as opposed to all the other substitute products available in the market.
Brand loyalty	Being more specific, personal messaging, makes your brand stand out thus increasing the brand loyalty.	When a company efficiently differentiates its products, it usually brings out the brand loyalty on customer's part.
Benefits	<ol style="list-style-type: none"> 1. Improves campaign performance 2. Informs product development 3. Reveals areas to expand 4. Improves business focus 5. Improves other business decision 	<ol style="list-style-type: none"> 1. It creates additional value 2. It develops brand loyalty 3. It allows business to compete 4. It helps to achieve a higher price point
Demerits	<ol style="list-style-type: none"> 1. In each specific segments customers are limited 2. It is expensive in both production and marketing 3. Difficulty in distribution 4. Heavy investment is required 5. Promotion problems 6. Stock and storage problems 	<ol style="list-style-type: none"> 1. Revenue increases are not guaranteed 2. The offerings perceived value can decline 3. It can strain resources

Marketing Mix

Marketing Mix represents an assemblage of tasks and sub tasks, which ultimately will help to satisfy the customers requirements in such a way as to enable the firm to attain it's objectives in an optimum fashion. Marketing Mix represents the total marketing program of a firm. It involves decisions with regard to product, price, place and promotion. These above four elements differ from firm to firm. Marketing mix serve as the linkage between a business firm and its customers.

Definition of Marketing Mix

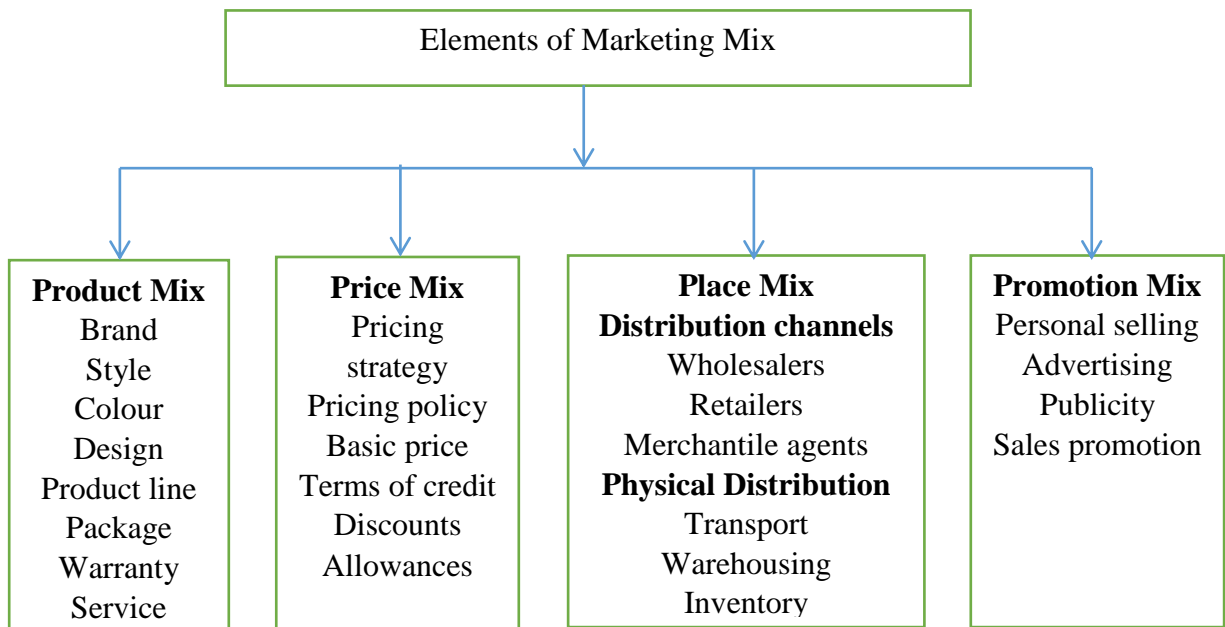
According to Philip Kotler, "Marketing Mix is the set of controllable variables that the firm can use to influence the buyers response".

Elements of Marketing Mix

Marketing Mix is the combination of different marketing variables being used by a firm to market its goods and services. The marketing mix will naturally be changing according to changing marketing conditions and above with changing environmental factors (technical, social economic and political) affecting each market. It is of course based on marketing research and marketing information. It must

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be fully related to customer demand, competition as well as other environmental forces. Different elements of marketing mix are as follows



Product Mix: Product mix involves planning, developing and producing the right type of products and services. It deals with the dimensions of product line, durability and other qualities. The product policy of the firm also deals with proper branding right packaging, appropriate color and other product features. A product is anything that can be offered to a market to satisfy a want or need. Products that are marketed include physical goods, services, experiences, events, persons, places, properties, organizations, information and ideas. Product is the most important component of the marketing program. The product policy and strategy is the cornerstone of a marketing mix. Product decisions are taken first by the marketers and these decisions are central to all other marketing decisions such as price, promotion and distribution. Product is the engine that pulls the rest of the marketing program. Products fill the needs of the society. It represents a handle of expectations to consumers and society. If the product fails to satisfy the consumer no other element of the marketing mix can remove the dissatisfaction or improve the product performance in the market place. Good product is a key to market success.

Price Mix: Price is an important factor affecting the success of firm. Pricing decisions and policies have a direct influence on sales volume and profits of business. This is an important element in marketing mix. Right pricing can be determined through pricing research and testing marketing demand, cost, competition, government regulations etc., are the vital factors that must be taken into consideration in the determination of price. Price is a source of revenue and a main determinant of profit. Only when the buyer and seller agree on price, there can be exchange of goods and services leading to transfer of ownership. Among the most important marketing variables influenced by pricing decisions are: sales volume, profit margins, rate of return on investment, trade margins, advertising and

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sales promotion, product image, new product development. Therefore pricing decisions play a very important role in the design of marketing mix.

Promotion Mix: This is concerned with bringing products to the knowledge of customers and persuading them informing and influencing the customers. Promotion is a spark plug in the marketing mix. This is the third element in the marketing mix and it is an important marketing strategy. Marketers have adopted a communication view of their firm's promotional activities. Promotion Mix involves the decision with respect to advertising, personal selling, sales promotions, publicity, sales forces and direct marketing. For the firm's promotion in order to be effective, its promotion objectives must be clearly defined-because the right promotion blend depends on what the firm wants to accomplish. The three basic promotion objectives: Informing, Persuading, and reminding target customers about the company and its marketing mix should always be kept in mind.

Place/Distribution Mix: Place is getting the "right" product to the target market's place. A product isn't good to customer if isn't available when and where it is wanted. Place requires the selection and use of marketing specialists-middlemen and facilitators, to provide target customers with time, place, and possession utilities. Hence Place in the marketing mix is concerned with the decisions relating to wholesale and retail outlets or channels of distribution. The objectives of selecting and managing trade channels are to provide the products to the right consumer at the right time and at the right place on a continuing basis. A manufacturer may distribute his goods through his own outlets or he may employ wholesalers and retailers for this purpose. Selecting the most appropriate channel of output to reach the customer is a decision of great strategic importance.