

PRINCIPLES AND PRACTICE OF MARKETING

UNIT 2: MARKET SEGMENTATION AND CONSUMER BEHAVIOUR – DETAILED NOTES

10. Meaning and Definition of Market Segmentation

Market Segmentation is the process of dividing a broad market into smaller, clearly defined groups of consumers who have common needs, preferences, and behaviors, and who are likely to respond similarly to marketing efforts.

Definition (Philip Kotler): “Market segmentation is the act of dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviors and who might require separate products or marketing mixes.”

11. Strategies Opted for Market Segmentation

There are **three main segmentation strategies**:

1. **Mass Marketing (Undifferentiated Strategy):**
 - One product for the entire market.
 - Assumes all customers have similar needs.
 - Example: Basic salt, sugar, soaps.
2. **Segmented Marketing (Differentiated Strategy):**
 - Different products for different segments.
 - Increases customer satisfaction and sales.
 - Example: Hindustan Unilever offers different soaps for different income levels.
3. **Niche Marketing (Concentrated Strategy):**
 - Focuses on a single small segment.
 - Ideal for small businesses with limited resources.
 - Example: Rolex watches for the luxury segment.
4. **Micromarketing (Individual/Local Marketing):**
 - Customizes products to suit individual needs or local areas.
 - Example: Personalized gifts, location-based mobile ads.

12. Bases for Market Segmentation

Marketers segment the market using the following **bases/criteria**:

1. Geographic Segmentation

- Region (north, south, rural, urban)
- Climate (hot, cold)
- Population density (metro vs. town)

2. Demographic Segmentation

- Age
- Gender
- Income
- Education
- Family size
- Religion
- Occupation

Example: Bikes for youth (age-based), luxury cars for high-income customers.

3. Psychographic Segmentation

- Lifestyle
- Personality
- Social class
- Interests and opinions

Example: Organic food for health-conscious consumers.

4. Behavioral Segmentation

- Purchase behavior
- Usage rate (light, medium, heavy users)
- Brand loyalty
- Readiness to buy
- Benefits sought

Example: Toothpaste brands for “whitening,” “sensitive,” or “fresh breath” needs.

13. Benefits of Market Segmentation

1. **Better understanding of customer needs**
2. **Efficient resource utilization**
3. **Improved product development**
4. **Effective marketing communication**
5. **Better customer satisfaction and loyalty**

6. **Helps in pricing and distribution decisions**
7. **Competitive advantage**
8. **Risk reduction by diversifying markets**

14. Meaning and Importance of Consumer Behaviour

Consumer Behaviour refers to the actions and decision-making processes of buyers when they purchase goods or services for personal use.

It includes **what they buy, why they buy, when they buy, how often they buy, and how they use the product.**

Importance of Studying Consumer Behaviour:

- Helps in designing products customers want
- Enables better targeting and segmentation
- Assists in pricing and positioning decisions
- Guides promotional strategies
- Enhances customer satisfaction and loyalty

15. Factors Determining Consumer Behaviour

Consumer behaviour is influenced by four major types of factors:

1. Cultural Factors

- Culture
- Sub-culture
- Social class

2. Social Factors

- Reference groups (friends, celebrities)
- Family
- Roles and status

3. Personal Factors

- Age and life cycle stage
- Occupation
- Economic status
- Personality and lifestyle

4. Psychological Factors

- Motivation (Maslow's Hierarchy of Needs)

- Perception (how information is interpreted)
- Learning (previous experiences)
- Beliefs and attitudes

16. Stages in the Buying Decision Process

The **consumer buying decision process** involves **five steps**:

1. **Need Recognition**
 - Realization of a need or problem (e.g., hunger, old phone).
2. **Information Search**
 - Internal (past experience) or external (ads, friends, reviews).
3. **Evaluation of Alternatives**
 - Comparing features, prices, brands, etc.
4. **Purchase Decision**
 - Final decision to buy based on preferences and influences.
5. **Post-Purchase Behaviour**
 - Satisfaction or dissatisfaction leads to repeat purchase or regret.

Cognitive Dissonance: Doubts after purchase due to conflicting thoughts. Companies reduce it through guarantees, customer support, etc.