UNIT -II

UNIT-2

Market segmentations and Marketing Strategies:-

1. **Market Segmentation,**
2. **Target Market,**
3. **Differentiating and positioning,**
4. **New Product Development,**
5. **Product Life Cycle.**

2.1.Market Segmentation,

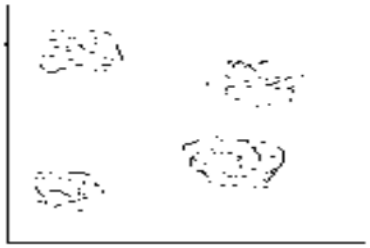
Introduction: Market consists of buyers and buyers differ in on or more respects. They may differ in the wants, resources, geographical, location, buying attitudes and buying practices. Any of these variable can be used to segment a market. Each buyer is potentially a separate market because of unique needs and wants. Ideally a seller management design a separate product and or marketing program for each buyer. Most sellers will not find it worth wile to "customize". Their product to satisfy each specific buyer. Instead the saver identifiers broad classes of buyers who differ in their product requirement and or marketing responses.

As a market is segmented using more characteristics such as age, income, etc., the seller achieves finer precision but at the price of multiplying the no. of segments and thinking gout the population of the segments.

Types of market segmentation:

1. **Homogeneous preferences**: A market where all consumers have roughly the same preference. We would predict the existing brands would be similar and located in the center of the preferences as shown in the below.

2. **Clustered preference**: The market might reveal district preference cluster, called natural market segments. The first firm in this market has three options. It might position is self in the center hoping to appeal to all the groups (undifferentiated marketing). It might position itself in the largest market segment (consummated marketing). It might marketing several brands, each positioned in a different segment (differentiated marketing) clearly if it is developed only one brand, competition would enter and introduce brands in other segments.



3. **Diffused preferences**: As the other extreme consumer preferences can the scattered throughout the space showing that consumer differ in what they want from the product. If one brand exists the market, it is likely to be positioned in the center minimizes sum of total consumer dissatisfaction. A new competitor could take step to the first brand and fight for market share of the competition could locater in a center to win over a customer group that not satisfied with the center brand. If several brands are in the

market, they are likely to be positioned throughout the space show real differences to march consumer preference difference.

Bases for segmenting consumer market:

- Geographic segmentation
- Demographic segmentation
- Psychographics segmentation
- Behavioral segmentation

1. **Geographic segmentation**: - Geographical segmentation for dividing the market into different geographical units such as nations, states, regions, countries, citizen of neighbor hoods. The company can decide to operate in one or a few demographic areas of operate in all but pay attention to variations in geographic needs and preferences.

Ex: General foods Maxwell house ground coffee is sold nationally but is flavored regionally. Its coffee is flavored stronger in the west than the east

2. **Demographic segmentation**: -Demographic segmentation consists of dividing the market into groups on the basis of demographic variables such as age, sex, family size, family life cycle, income, occupation, education, religion, race and nationality. Demographic variables are the most popular bases for distinguishing customer groups.

3. **Psychographics segmentation**: -In psychographics segmentation, buyers are divided into different groups on the basis of their social class life style and or personality characteristics. People with in the same demographic groups can exhibit very different Psychological profiles.

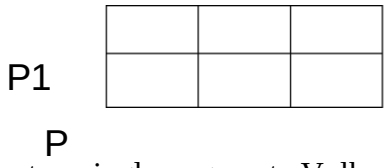
4. **Behavioral segmentation**: - In behavioral segmentations buyers are divide into groups on the basis of their knowledge attitude use and response to a products many marketers believe that behavioral are best starting point for constructing market segments. A). Occasions: - B). Benefits: - C). User status: - D). Usage rate: - E). Loyalty status: - F). Buyer readiness stage: -

2.2Target Market,

Introduction: TARGETING : Once the firm has identified its market-segment opportunities, it has to decide how many and which ones to target.

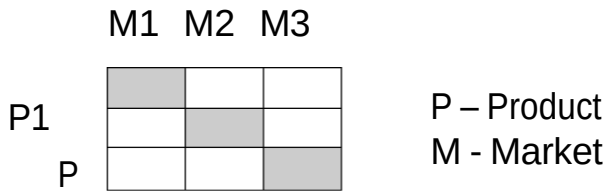
- **Single-segment Concentration**:

M1 M2 M3



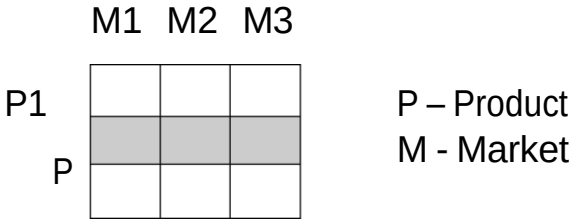
The company may select a single segment. Volkswagen concentrates on the small-car market and Porsche on the sports car market. Through concentrated marketing the firm gains a strong knowledge of the segment's needs and achieves a strong market presence. Furthermore, the firm enjoys operating economies through specializing its production, distribution, and promotion. If it captures segment leadership, the firm can earn a high return on its investment.

- **Selective specialization** :



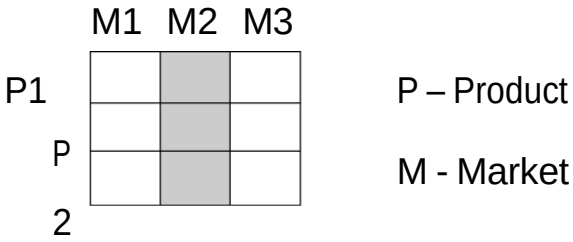
Here the firm selects a number of segments each objectively attractive and appropriate. There may be little or no synergy among the segments, but each segment promises to be a money market. This multi segment coverage strategy has the advantage of diversifying the firm's risk.

- **Product specialization :**



Here the firm specializes in making a certain product it sells to several segments. An example would be a microscope manufacturer that sells microscope to university laboratories, government laboratories, and commercial laboratories. The firm makes different microscopes for different customers groups but does not manufacturer other instruments that laboratories might use. Through a product specialization strategy, the firm builds a strong reputation in the specific product area. The downside risk is that the product may be supplanted by an entirely new technology.

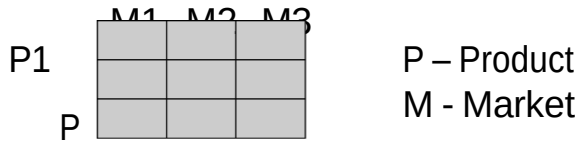
- **Market specialization**



Here the firm concentrates on serving many needs of a particular customer group. An example would be a firm that sells an assortment of products only

to university laboratories, including microscopes, oscilloscopes, Bunsen burners, and chemical flasks. The firm gains a strong reputation in serving this customer group and becomes a channel for further products that the customer group could use. The downside risk is that the customer group may have its budgets cut.

- **Full market coverage**



Here a firm attempts to serve all customer groups with all the products they might need. Only very large firms can undertake a full market coverage strategy. Examples include I B M, General Motors, and Coca-Cola. Large firms can cover a whole market in two broad ways: through undifferentiated marketing or differentiated marketing.

2.3. Positioning,

Introduction: Positioning is the act of designing the company's offering and image to occupy a distinctive place in the target market's mind.

1. **Under positioning**: Some companies discover that buyers have only a vague idea of the brand. The brand is seen as just another entry in a crowded marketplace. When Pepsi introduced its clear Crystal Pepsi in 1993, customers were distinctly unimpressed. They didn't see "clarity" as an important benefit in a soft drink.
2. **Over positioning**: Buyers may have too narrow an image of the brand. Thus a consumer might think that diamond rings at Tiffany start at $5,000 when in fact Tiffany now offers affordable diamond ring starting at $1,000.
3. **Confused positioning**: buyers might have a confused image of the brand resulting from the company's making too many claims or changing the brand's positioning too frequently. This was the case with Stephen job's sleek and powerful next desktop computer, which was positioning first for students, then for engineers, and then for businesspeople, all unsuccessfully.
4. **Doubtful positioning**: Buyers may find it hard to believe the brand claims in view of the product's features, price, or manufacturer. When GM's Cadillac division introduced the Cimarron, it positioning the car as a luxury competitor with BMW, Mercedes, and Audit. Although the car featured leather seats, a luggage rack, lots of chrome, and a Cadillac logo stamped on the chassis, customers saw the car as merely a dolled-up version of Chevy's Cavalier and Oldsmobile's firenza. Although the car was positioned as "more for more", the customers saw it as "less for more".

The theme park company can now recognize the different positioning strategies that are available.

- **Attribute positioning**: A company positions itself on an attribute, such as size or number of years in existence. Disneyland can advertise itself as the largest theme park in the world.

- **Benefit positioning**: The product is positioned as the leader in a certain benefit. Kott's Berry Farm may try to position itself as a theme park that delivers a fantasy experience, such as living in the old west.
- **Use or application positioning:** Positioning the product as best for some use or application. Japanese Deer Park can position itself for the tourist who has only an hour to catch some quick entertainment.
- **User positioning**: Positioning the product as best for some user group. Magic Mountain can advertise itself as best for "thrill seekers".
- **Competitor positioning:** The product claims to be better in some way then a named competitor. For example, Lion Country safari can advertise having a great variety of animals than Japanese deer park.
- **Product category positioning**: The product is positioned as the leader in a certain product category. Mainland of the pacific can position itself not as a "recreational theme park" but as an "educational institution.
- **Quality or price positioning**: The product is positioned as offering the best value. Busch Gardens can position itself as offering the "best value" for the money.

2.4 New Product Development,

Introduction: The new product development is process of eight sequential stages. "New product" includes original products, improved products, modified products and new brands that the firm develops through its own R&D efforts.

New products include

- **New-to-the-word products**: - New products that create an entirely new market.
- **New-product lines**: - New products that allow a company to enter an established market for the first time.
- **Additions to the existing product lines:** - New products that supplement a company's establishment product lines.
- **Improvements are to existing products:** – New products that provide improved performance or greater perceived value and replace existing products.
- **Repositioning:** - Existing products that are targeted to new markets of market segments.
- **Cost Reductions**: - New products that provide similar performance at lower cost.

- **Why New Product Fail:**

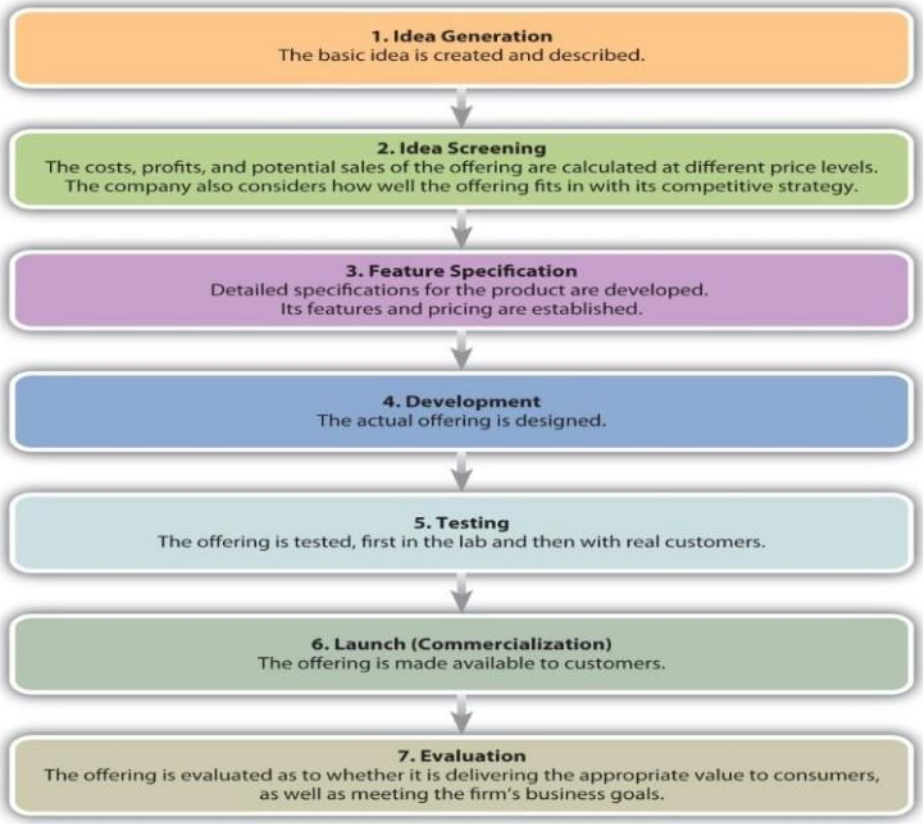
- A high level executive pushes a favorite idea in research findings.
- The idea is good, but the market size is over estimated.
- The product is not well designed.
- Development costs are higher than expected.
- Competitors fight bat harder than expected.

- Bases for New Product Development:

- Social and governmental constraints.
- Costliness of the new-product development process.
- Capital shortage.
- Shortened time span to completion.

New Product Development Process

1. Idea Generation
2. Screening
3. Concept Development and Testing
4. Marketing Strategy
5. Business Analysis
6. Product Development
7. Market Testing
8. Commercialization



- **Idea Generation**: -"The systematic search for new product ideas". At Gillette of Every 45 carefully developed new product ideas. Major sources of new product ideas include internal sources, customers, competitors, distributors & suppliers and others.
- **Idea Screening**: - Screening new-product ideas in order to spot good ideas and drop poor ones as soon as possible. The write u describer the product, the target market; and the competition. It maker some rough estimates of market size, product rice, development time & costs, manufacturing costs & rate of return. The committee than evaluates the idea against a set of general criteria.

- **Concept Development:**- A detailed version of the new product idea stated in meaningful consumer terms.
- **Concept Development**: Attractive ideas need to be developed in to finer product If they are to be tested, here a testing distinction can be made between a product idea, a product concept & a product stage.
- **Concept Testing**: Testing new product concepts with a group of target consumers to find out it the concepts have strong consumer appeal.

  Concept development and testing methodology applies to any product, service, or idea, such as an electric car, a new machine tool, a new banking service, of a new health plan.
- **Marketing Strategy Development:** - Designing as initial marketing strategy for a new product based on the product concept. The marketing strategy statements consist of 3 parts. The first art describes the target market, the planned product positioning & the sales, market share & profit goals for the first few years.

  The second art of the marketing strategy statement cut-lines the product's planned price; distributor & marketing budget for the first year. The third part of the marketing strategy statement describes the planned long run sales; profit goals & marketing mix strategy
- **Business Analysis**: - A review of the sales, costs & profit projection for a new product to find out whether these factors satisfy the company's objectives. After preparing the sales forecast, management can estimate the expected costs & profits for the product, including marketing, R&D, manufacturing, accounting & finance costs, The company then uses the sales & costs figures to analyze the new products financial attractiveness.
- **Product Development**: - Developing the product concept into a physical product in order to assure that the product idea can be turned into a workable product.
- **Commercialization:** - Introducing the new product in to the market. The company launching a new product must first decide on introduction timing. The company must decide where to launch the new product larger companies, however, may quickly introduce new models into several regions or in to the full national market.
- **Test Marketing**: - The stage of new product development in which the product & marketing program are tested in more realistic market segments, Company test the product & its entire marketing program – positioning strategy, advertising, distribution, pricing, branding & packaging & budget levels.

2.5. Product Life Cycle.

Meaning: -Products, like people, have a certain length of like, during which they pass through different stages. For some the life cycle may be as short as a month, while for other it may last for quite a sufficiently long period.

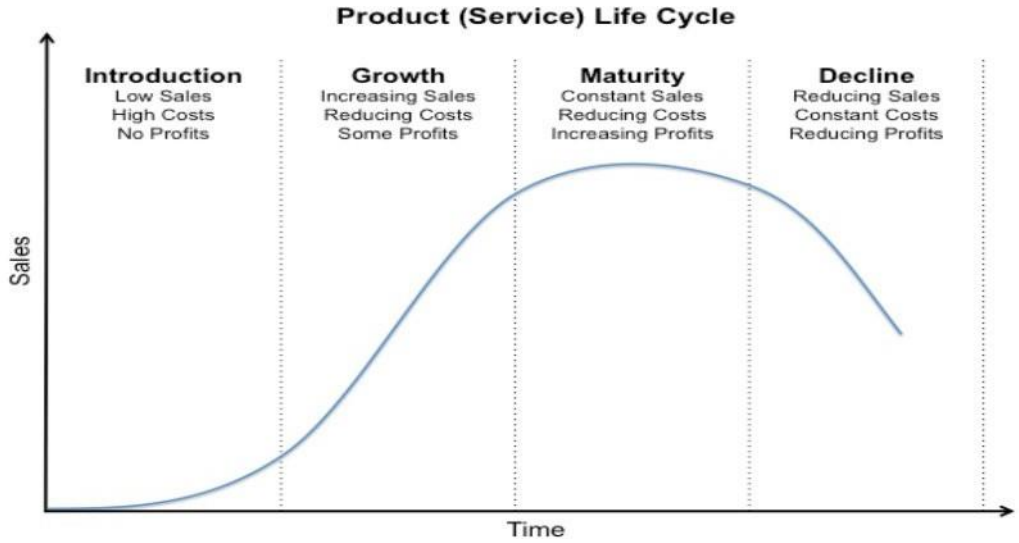
Definition : The product life cycle (PLC) is an important concept in marketing that provides insight into a product competitive dynamics. The PLC is an attempt to recognize distinct stages in the sales history of the product.

To say that a product has a life cycle is to assert four things

- Products have a limited life.
- Product sales pass through distinct stages each posing different challenger to the seller.

- Product profits rise and full at different stages of the PLC.
- Products require different marketing, financial, manufacturing, purchasing and personnel strategies in the different stages of their life cycle.

PLC Stages:- PLC life being with its market introduction next it goes through a period during which its market grows rapidly. Ultimately it reaches marketing maturity offer which its market declines and finally the product dies. It is worth noting that the duration each stage is different among products. Some take years to pass through the introduction stages.



1. **Introduction stage**: -During this stage of the products life cycle, it is put in the market with full-scale production and marketing program. The company is an innovator-may be the whole industry. The entire product may be new or the basic product may be well known but a new feature or accessory is in the introduction stage.

Four marketing strategies in introduction stage:

	Price	**Promotion**
	High	**Low**
High	Rapid skimming Strategy	Slow skimming Strategy
Low	Rapid penetration Strategy	Slow Penetration Strategy

2. **Growth stage**: - In this stage the product is produced in the sufficient quantity and put in the market without delay. The demand generally continues to outpace supply. The sales and profit curves rise, often at a rapid rate. Competitors enter in the market in large number if the profit out look appears to be very attractive. Some strategies in growth stage:

- It improves product quality and adds new product features and improved styling.
- It adds new models and flanker products (products of different sizes, flavors).
- It enters new market segments.
- It increases its distribution coverage and enters new distribution channels.
- It lowers prices to attract the next layer of price-sensitive buyers.
- It shifts from product-awareness advertising to product-preference advertising.

3. **Maturity stage**: - During this stage, sales continue to increase but at a decreasing rate, while the sales carve is leveling off the profits of both the manufacturer and the retailers are starting to decline because of rising expenditure and lowering of prices. The following strategies should follow in this stage

- **Market Modification:**
  - Expand number of users :

- Convert non-users
- Enter new market segments
- Win competitors' customers

  - Increase annual usage :

- More frequent use
- More usage per occasion
- New and more varied uses

- **Product Modification**

- A strategy of quality improvement aims at increasing the product's functional performance - its durability, reliability, speed, taste.
- A strategy of feature improvement aims at adding new features (for example - size, weight, materials, additives, accessories) that expand the product's versatility, safety, or convenience.
- A strategy of style improvement aims at increasing the product's aesthetic appeal. The periodic introduction of new car models amounts to style competition rather than quality or feature competition.

- **Marketing Mix Modification**

- Prices
- Distribution
- Advertising
- Sales Promotion
- Personal Selling
- Services

4. **Market decline stage**: -This stage is characterized by either the products gradual placement by some new innovation or by an evolving change in consumer buying behavior. The buyers do not buy as much as they did before. New and superior products are being introduced to the market many of which meet the consumer's demand and need more closely. some strategies in decline stage**:**

- **Continuation Strategy :**Increasing the firm's investment (to dominate the market or strengthen the competitive position). Maintaining the firm's investment level until the uncertainties about the industry are resolved
- **Concentration Strategy :-** Decreasing the firm's investment level selectively, by dropping unprofitable customer groups, while simultaneously strengthening the firm's investment in lucrative niches.

- **Harvesting Strategy :-** Divesting the business quickly by disposing of its assets as advantageously as possible.
- **The Drop Strategy**- When a company decides to drop a product, it faces further decisions. If the product has strong distribution and residual goodwill, the company can probably sell it to another firm. If the company can't find any buyers, it must decide whether to liquidate the brand quickly or slowly. It must also decide on how much parts inventory and service to maintain for past customers.