

## **Module - 3**

# **CONSUMER BEHAVIOR**

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## LESSON – 6

### MARKET SEGMENTATION AND POSITIONING II

#### Instructional Objectives

After completion of this lesson, the student shall know about:

#### 3.6 Targeting

#### 3.7 Positioning

#### 3.6 TARGETING:

After identification of segments, the marketer has to decide upon the segment (s), he would cater to and directs his market efforts. The target segment is the group(s) of customers that the marketer decides to serve. It comprises buyers who share common needs, wants and preferences, and the company decides to serve them. The marketer would choose a segment that is viable; and, that he can cater to effectively and efficiently.

**3.6.1 Viability of the Segment:** A segment is regarded to be viable if it is: measurable, substantial, accessible, differentiable and, actionable.

- **Measurable:** The segment should be measurable in term of the total size, purchasing power and, demographic, geographic and psychographic characteristics.

- **Substantial:** It should be of sufficient size so as to generate profits; it should also have a potential for growth.

- **Accessible:** It should be reachable and easy to enter or penetrate. The marketers must be able to deliver the product or service offering and must be able to operate therein.

- **Differentiable:** One segment should be easily differentiated from another. Clear differences in consumer wants, needs and preferences for the product must exist across segments, and the people therein should react differently from other segments towards a marketing mix program. There should exist a homogeneity within the segment and, a heterogeneity with other segments.

- **Actionable:** It should be possible to design a marketing program directed towards that segment and serve it effectively and efficiently. The marketer should be able to react to the need, wants and preferences of the segment with the appropriate marketing mix.

**3.6.2 Evaluation and selection of Target Markets:** While evaluation and selection of the Market Segments, two issues need to be addressed; one, the overall attractiveness of the segment; and two, the company's objectives and constraints.

i) What is the overall attractiveness of the segment?

-This is explained in terms of segment size, sales, growth rate and overall profitability. Structural attractiveness can be elaborated upon to include details on existing competition, entry/exit barriers for competition, availability of substitute products, and the backward power balance equilibrium between supplier and the buyer (i.e. marketer).

ii) What are the company's objectives and constraints (physical, financial and time)?

- The marketer needs to address the core competencies and competitive advantage to grow in that segment; this would include the company's hold over resources, skills and competencies and overall strengths in terms of physical and financial resources as well as time constraints.

**3.6.3 Patterns of Target Market Selection:** Broadly speaking there could be 5 different patterns of target market selection, viz., single-segment concentration, selective specialization or multi-segment, product specialization, market specialization and full market coverage.

**a) Single-segment concentration:** The marketer decides to cater to a single segment only. Also referred to as concentrated marketing, the marketer understands the needs and wants of the segment and focuses on one segment only. Example: Rolex watches.

The advantages of single-segment concentration are lower costs of production, distribution and promotion. The approach also leads to specialization. There are greater chances of achieving a strong market presence and becoming a market leader in that segment.

However, this approach also suffers from limitations; All the eggs are placed in one basket and if the segment weakens, the marketer is finished. The segments' preferences may change over time and the marketer would need to adapt accordingly. A small change in segment needs, wants and preferences can create a problem. Also, the firm firmly gets entrenched in serving a particular segment only, and once entrenched, there is great difficulty if it wants to diversify or expand into other segments.

**b) Selective specialization or Multi-segment:** The marketer caters to two or a few segments with different marketing mixes. It offers varied product and service offerings with distinct marketing mixes to the various segments. Examples: Maruti Suzuki cars, Soaps and detergents from Procter and Gamble, Tata Group of Hotels.

The advantages of selective specialization are that when the marketer caters to different segments, he can expand and achieve economies of scale and operation and gain out of existing synergies between production, operations and marketing functions. Chances of risk of failing totally are minimized as it diversifies coverage.

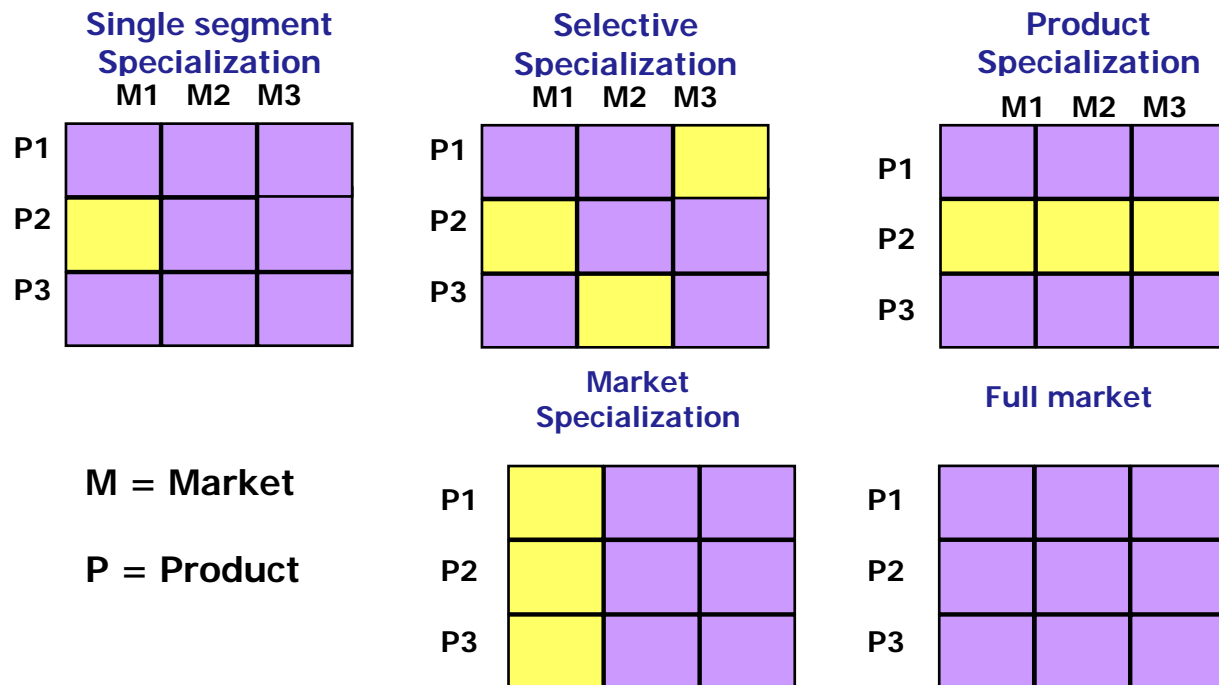
The disadvantages of this approach are that the marketer who caters to more than one segment faces a more complex and dynamic environment. The marketer needs to be strong in market research; identify changing needs, wants and preferences across segments and adapt product and service offerings accordingly. He should be able to manage the positioning strategy for the various segments.

**c) Product specialization:** Here, the marketer deals with varying products in the same product line; it adapts the product to sell to several different market segments. Example: Gillette. The advantage of this pattern is that when the marketer caters to different segments, with a single product or varying forms of the same product, he can develop specialization and reputation in that product line. The limitation is that if the product matures or dies, the marketer would cease to exist.

**d) Market Specialization:** The marketer deals with one specific market only; he tries to meet many needs of a particular customer group. Example: The various Ordnance Factories in India exist to cater to meet the various needs of the Defense forces only. The advantage of this pattern is that in case of a monopolistic situation, the marketer has lot of potential to grow; he would exist to serve the need and wants of the segment. The focus is on catering the needs of a particular market segment only; so the marketer becomes customer focused totally. The disadvantage is that if the segment weakens, the marketer is finished.

**e) Full market coverage:** Here the marketer caters to the entire market. A full market coverage could assume two forms, differentiated and undifferentiated. In the differentiated form, the marketer would operate in the whole market and offer different products for the various segments; Example: IBM, HP. The undifferentiated form is also known as mass marketing. Here, the marketer would treat the market as a single segment and offer a single product. He would ignore differences amongst various segments; Example: Salt, Pepsi.

The advantages with full market coverage are that a large scale diversification is possible, and the chances of risk of failing totally are minimized. The limitation is that it is difficult for the marketer to be focused/specialized in a product category or in a market.



**FIGURE 1 PATTERNS OF TARGET MARKET SELECTION**

### 3.7 POSITIONING:

As a part of STP, after deciding upon the targets to cater to, the marketer needs to position the product or service offering. Positioning is the act of designing the product and service offering of a company in the minds of the customer's so that

- (i) the consumer can relate the product and service offering to a need or want;
- (ii) the marketer can create a distinctive image of himself.
- (iii) the consumer can perceive a brand's characteristics relative to those of competitive offerings.

It is process of creating an image of the product and service offering in the minds of the consumer, trying to differentiate itself from the competitor.

### OTHER DEFINITIONS:

“- designing an offer so that it occupies a distinct and valued place in the minds of the target customer.” – Kotler.

“ Positioning is not what you do to your product, but what you do to the mind of your prospective customer.”-Al Ries and Jack Trout

A product or service offering is positioned on the basis of the attributes or features that the product or service offering possesses; Some examples are as follows:

- i) Johnson and Johnson: Baby care
- ii) Dove: Skin care; Soap with Moisturizer
- iii) Amul: the Taste of India; Cooperative Movement
- iv) Tata tea: Jaago re: Public Awareness

The marketer should choose the positioning parameters with care; they should be important (and of “value” to the customers’); distinctive, superior, affordable and viable.

### 3.7.1 ISSUES to address:

a) Choosing “what to position”: The criteria to promote could relate to products, services, the 4Ps, company image and reputation, and the people. As a strategy, positioning can be based on:

- i) perceived benefits, characteristics or image.
- ii) competition
- iii) a combination of both (i) and (ii).

The product positioning may be done on specific bases/features/characteristics:

- i) Product Attributes: Example: LG Golden Eye: Auto contrast and Brightness control.
- ii) Benefits, Problem Solutions and Basic Needs: Examples: Pepsodent (decay prevention), Close-Up (Fresh breath).
- iii) Quality: Example: Sony picture quality and sound
- iv) Product User: Examples: Parker (Amitabh Bachchan), Reid and Taylor (Executive/Lifestyle), Johnson and Johnson (Babies)
- v) Product Usage: Example: Burnol
- vi) Specific use: Example: Greeting cards for every occasion
- vii) Services: Example: Maruti Service Station all over India
- viii) Price: Example: Subhikha: Isse sasta aur nahi???
- ix) Distribution: Example: Dell (direct selling: customization)
- x) Against other Products (Competitors): Example: Savlon vs Dettol; Savlon jalta nahin.

b) “How many criteria” to use for positioning: The marketer has the option to use one or few of the criteria to position himself. When he uses just one criterion, he makes use of what is called a Unique Selling Proposition. He may also decide to position on more than one criterion and may position on a few features or attributes or benefits.

c) What “qualities” should the criteria for positioning possess?

The criteria for positioning should be:

- Important: “value” in the eyes of the segment;
- eg. Sony color TVs: known for picture quality and sound effect.

- Distinctive: “unique.”

eg., Savlon antiseptic does not sting or burn when applied.

- Superior: “better” than other available brands;

eg., Cooling time for Refrigerators; Helps make Ice quicker: Videocon, LG

- Communicable: the criteria should be easily communicable to the segment in a layman’s language (less of technical descriptions and jargons).

- Preemptive: The criteria should be such that it is not easy to copy or imitate easily.

eg. Auto contrast and colour adjustment by LG Golden Eye.

- Affordable: The criteria should be valuable but should not be so high priced that it is out of reach for the segment; The customer must be able and willing to pay for the feature.

- Profitable: The delivery of such value should not be at the cost of earning losses for the company. It should be valuable both from a customers’ perspective as well as from the company’s perspective.

### 3.7.2 POSITIONING STRATEGIES:

A marketer could choose amongst two kinds of positioning strategies; he could either opt for positioning on i) Points of parity (POP) or ii) Points of difference (POD). Points of parity could be further sub-divided into Category point-of-parity associations, and Competitive point-of-parity associations.

**i) Points of parity (POP):** Here the product in question is not unique in nature; it is shared by other competitive brands; The product or service offering is similar to that of the competitor.

**Example:** Complan, Milo and Bournvita: Positioned as: All help children to grow. POP has two basic forms, viz., (a) Category point-of-parity b) Competitive point-of-parity.



**a) Category point-of-parity:** The product or service offering should possess these qualities in order to qualify being a part of the product or service category. These are the bare minimum that all the brands should possess in order to qualify as a part of the product or service industry.

**Example:** All mouthwashes contain antimicrobials; they are also minty.

**b) Competitive point-of-parity:** These are developed to fight against and balance out with the competitors' points-of-difference.

**Example:** Listerine vs Scope: Listerine claims to leave you fresh after a rinse and prevents bad breath; Scope claims that it does the same but in a milder way.

### Other examples:

Savlon versus Dettol: Savlon does not sting when applied on wound

**ii) Points of difference (POD):** Here the product or service offering is unique; The positioning is based on the USP (Unique Selling Proposition). The uniqueness should be something that the 'customers value', and can relate to favorably. This USP leads to differentiation and can thus, develop competitive brand positioning. The product and service offering can be differentiated on the basis of product, service, people, image and public relations etc.

**Example:** Auto color and contrast setting: LG Golden Eye.

### REFERENCES FOR FURTHER READING:

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## FAQS (FREQUENTLY ASKED QUESTIONS):

**Ques 1**                **On what criteria would you evaluate the Viability of the Segment:**

**Ans 1**                **Criterion**

The viability of a segment is based on the following criteria:

**a. Measurable:**

-The segment should be measurable in term of the total size, purchasing power and, demographic, geographic and psychographic characteristics.

**b. Substantial:**

-The segment should be of sufficient size so as to generate profits; it should also have a potential for growth.

**c. Accessible:**

- It should be reachable and easy to enter or penetrate.
- The marketers must be able to deliver the product or service offering and must be able to operate therein.

**d. Differentiable:**

- One segment should be easily differentiated from another;
- It should be distinct from others and the people therein should react differently from other segments towards a marketing mix program;
- Clear differences in consumer want, needs and preferences for the product must exist across segments.
- Homogeneity within the segment; Heterogeneity with other segments.

**e. Actionable:**

- It should be possible to design a marketing program directed towards that segment and serve it effectively and efficiently.
- The marketer should be able to react to the need, wants and preferences of the segment with the appropriate marketing mix.

**Ques 2      Differentiate between the following:**

- a) **Points of parity and Point of difference association**
- b) **Product specialization and Market specialization**

**Ans 2 a)      Points of parity and Point of Difference Association**

**Points of parity**

- The product or service offering is similar to that of the competitor.
- The brand association is not unique in nature; it is shared by other competitive brands;

Example: Complan, Milo and Bournvita:  
Positioned as: All help children to grow.

**Point of Difference Association**

- The product or service offering is unique; it is the USP (Unique Selling Proposition).
- The uniqueness should be something that the 'customers value', and can relate to favorably.

-Example: Auto color and contrast setting: LG Golden Eye.

**Ans 2b)      Product specialization and Market specialization**

**Product specialization**

- The marketer deal with varying products in the same product line; it adapts the product to sell to several different market segments.

Example: Gillette

**Market specialization**

- The marketer deals with one specific market only; he tries to meet many needs of a particular customer group.

Example: The various Ordnance Factories in India exist to cater to meet the various needs of the Defense forces only.

**Advantages:**

- i) When the marketer caters to different segments, with a single product or varying forms of the same product, he can develop specialization and reputation in that product line.

**Disadvantages:**

- ii) If the product matures or dies, the marketer would cease to exist.

**Advantages:**

- i) In case of a monopolistic situation, the marketer has lot of potential to grow; he would exist to serve the need and wants of the segment.
- ii) The focus is on catering the needs of a particular market segment only; so the marketer becomes customer focused totally.

**Disadvantages:**

- i) If the segment weakens, the marketer is finished.

**Ques 3      What are the various patterns of target market selection?**

**Ans 3      Patterns :**

**A) Single-segment concentration:**

- The marketer decides to cater to a single segment only.
- Concentrated marketing; the marketer understands the needs and wants of the segment and focuses on one segment only.
- Example: Rolex watches

**B) Selective specialization or Multi-segment:**

- The marketer caters to a two or a few segments with different marketing mixes.
- It offers varied product and service offerings with distinct marketing mixes to the various segments.

Example: Maruti, Soaps and detergents from Procter and Gamble, Tata Group of Hotels.

**C) Product specialization:**

- The marketer deal with varying products in the same product line; it adapts the product to sell to several different market segments.

Example: Gillette

**D) Market Specialization:**

- The marketer deals with one specific market only; he tries to meet many needs of a particular customer group.

Example: The various Ordnance Factories in India exist to cater to meet the various needs of the Defence forces only.

**E) Full market coverage:**

- Here the marketer caters to the entire market.

**-It could take two forms: Differentiated and Undifferentiated.**

**Differentiated:** The marketer would operate in the whole market and offer different products for the various segments; Example: IBM, HP.

**Undifferentiated:** Mass marketing; The marketer would treat the market as a single segment and offer a single product. He would ignore differences amongst various segments; Example: Salt, Pepsi

**Ques 4      What is positioning? How can a marketer position his product or service offering?**

**Ans    Positioning** is the act of designing the product and service offering of a company in the minds of the customer's so that:

- (i) the consumer can relate the product and service offering to a need or want;
- (ii) the marketer can create a distinctive image of himself.
- (iii) the consumer can perceive a brand's characteristics relative to those of competitive offerings.

It is process of creating an image of the product and service offering in the minds of the consumer.

**As a strategy, positioning can be based on:**

- i) on perceived benefits, characteristics or image.
- ii) on competition
- iii) on a combination of both (i) and (ii).

**The product positioning may be done on various bases:**

- i) **Product Attributes:** LG Golden Eye: Auto contrast and Brightness control
- ii) **Benefits, Problem Solutions & Basic Needs:** Pepsodent (decay prevention), Close-Up (Fresh breath)
- iii) **Quality:** Sony
- iv) **Product User:** Parker (Amitabh Bachchan), Reid and Taylor (Executive/ Lifestyle)
- v) **Product Usage:** Burnol
- vi) **Specific use:** Greeting cards for every occasion
- vii) **Services:** Maruti Service Station all over India
- viii) **Price:** Subhikha: Isse sasta aur nahi???
- ix) **Distribution:** Dell (direct selling: customization)
- x) **Against Other Products (Competitors):** Savlon vs Dettol; Savlon jalta nahin.

## SELF EVALUATION TESTS/QUIZZES:

### Section A True/false:

1. When the marketer deals with varying products in the same product line, and adapts the product to sell to several different market segments, it is called market specialization.
2. The marketer caters to a two or a few segments with different marketing mixes. This is called a selective specialization.

### Section B Fill up the blanks:

1. When a marketer deals with one specific market only, and tries to meet many needs of a particular customer group it is called a \_\_\_\_\_ specialization.
2. The product or service offering should possess certain qualities in order to qualify being a part of the product or service category. These are called \_\_\_\_\_ points of parity.

### Section C Short answers:

1. Mention the criteria on which the viability of a segment depends?
2. Mention any four qualities that the criteria for positioning should possess?
3. Mention the five patterns of target market selection?
4. In the Indian context, give names of brands/companies positioned on :
  - a) Attributes
  - b) Competition
  - c) User

## KEY

### Section A True/false:

1. False
2. True

### Section B Fill up the blanks:

1. Market
2. Category

### Section C Short Answers:

1. Viability of the Segment: Criterion

- |                   |                |               |
|-------------------|----------------|---------------|
| a) Measurable     | b) Substantial | c) Accessible |
| d) Differentiable | e) Actionable  |               |

2. Qualities that the criteria for positioning should possess:

It should be:

- |               |                |               |                 |
|---------------|----------------|---------------|-----------------|
| a) Important  | b) Distinctive | c) Superior   | d) Communicable |
| e) Preemptive | f) Affordable  | g) Profitable |                 |

3. Patterns of target market selection?

- |                                 |  |
|---------------------------------|--|
| a) Single-segment concentration | b) Selective specialization or Multi-segment |
| c) Product specialization       | d) Market Specialization                     |
| e) Full market coverage         |  |

4. a) Attributes: LG Golden eye: Auto adjustment to contrast, colour and brightness

b) Competition: Surf versus Ariel; Savlon vs. Dettol

c) User: Baby care: Johnson and Johnson