UNIT 4: MARKET SEGMENTATION, TARGETING AND POSITIONING

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4.0 AIMS AND OBJECTIVES

After studying this unit, you will be able to explain:

- the related concept of market segmentation, target marketing and positioning
- market segmentation variables
- the process of market segmentation, including its benefits and use
- target marketing strategies
- the different types of positioning strategy

1.1 INTRODUCTION

A company cannot serve all customers in a broad market. The customers are too numerous and diverse in their buying requirements. The company needs to identify the market segments that it can serve more efficiently.

Many companies are embracing target marketing. Here sellers distinguish the major market segments, target one or more of these segments, and develop products and marketing programs tailored to each.

Target marketing requires marketers to take three major steps: -

1. Identify and profile distinct group of buyers who might require separate products or marketing mixes. (Market Segmentation)
2. Select one or more market segments to enter (Market Targeting)
3. Establish and communicate the products key distinctive benefits in the market (Market Positioning)

1.2 MEANING OF MARKET SEGMENTATION

Market Segmentation is the process of identifying and profiling distinct group of buyers who might require separate products or marketing mixes.

4.3 LEVELS OF MARKET SEGMENTATION

Market segmentation is an effort to increase a company's precision marketing. The starting point of any segmentation discussion is mass marketing. In mass marketing, the seller engages in the mass production, and mass promotion of one product for all buyers.

The arguments of mass marketing is that it creates the largest potential market, which leads to the lowest costs, which in turn can lead to lower prices or higher margins.

1.3.1 Segment Marketing

A market segment consists of a large identifiable group with in a market with similar wants, purchasing power, geographical location, buying attitudes, or buying habits. i.e. An auto company may identify four broad segments: car buyers who are primarily seeking basic transportation or high performance or luxury or safety.

Segmentation is an approach midway between mass marketing and individual marketing. Each segment's buyers are assumed to be quite similar in wants and needs, yet no two buyers are really alike. Segment marketing offers several benefits over mass marketing. The company can create a more fine-tuned product or service offering and price it appropriately for the target audience. The choice of distribution channels and communications channels becomes much easier. The company also may face fewer competitors in the particular segment.

1.3.2 Niche Marketing

A niche is a more narrowly defined group, typically a small market whose needs are not well served. Marketers usually identify niches by dividing a segment into sub segments or by defining a group seeking a distractive mix of benefits. i.e. the segments of heavy smokers includes these who are trying to stop smoking and those who don't care.

Whereas segments are fairly large and normally attract several competitors, niches are fairly small and normally attract only one or two. Large companies lose pieces of their market to nichers.

Niche marketers presumably understand their customers' needs so well that the customers willingly pay a premium.

Eg. Ferrari gets a high price for its cars because loyal buyers feel no other automobile comes close to offering the product-service-membership benefits handle that Ferrari does.

An attractive niche is characterized as follows:
The customers in the niche have a distinct set of needs; they will pay a premium to the firms that best satisfies their needs; the niche is not likely to attract other competitors; the nicher gains certain economies through specialization; and the niche has size, profit and growth potential.

1.3.3 Local Marketing

Target marketing is leading to marketing programs being tailored to the needs and wants of local customer groups (trading areas, neighborhoods, even individual stores).

Those favoring localizing a company's marketing see national advertising as wasteful because it fails to address local needs. Those against local marketing argue that it drives up manufacturing and marketing costs by reducing economy's of scale.

Logistical problems becomes magnified when companies try to meet varying local segments.
A brands overall image might be deluted if the product and message differ in different localities.

1.3.4 Individual Marketing

The ultimate level of segmentation leads to “Segments of One” customized marketing, ‘or’ one-to-one marketing. For countries, consumers were served as individuals: The tailor made the suit and the cobbler designed shoes for the individual. Much business-to business marketing today is customized, in that a manufacture's will customize the offer, logistics, communications, and financial terms for each major accounts. New technologies computers, databases, robotic production, e-mail, and fax-permit companies to return to customized marketing, or what is called “Mass customization”.

Mass customization is the ability to prepare on a mass basis individually designed products and communications to meet each customer’s requirements.

Today customers are taking more individual initiative in determining what and how to try. They log on to the internet; look up information and evaluators of product or services offers; dialog with suppliers, users, and product critics; and make up their own minds about the best offers. Marketers will still influence the process but in new ways. They will need to set up toll-free phone numbers and e-mail addresses to enable buyers to reach them with questions, suggestions, and complaints. They will involve customers more in the product-specification process. They will sponsor an internet home page that provides full information about the company’s products, guarantees, and locations.

4.4 PATTERNS OF MARKET SEGMENTATION

Market segments can be built in many ways. One way is to identify preference segments. Suppose ice cream buyers are asked how much they value sweetness and creaminess as the product attributes. Three different patterns can emerge.

1.4.1 Homogeneous Preferences

This preference shows a market where all the customers have roughly the same preference. The market shows no natural segments. We would predict that existing brands would be similar and cluster around the middle of the scale in both sweetness and creaminess.

1.4.2 Diffused Preferences

At the other extreme, consumer preferences may be scattered throughout the space; indicating that consumers vary greatly in their preferences. The first brand to enter the market is likely to position center to appeal to the most people. A brand in the center minimizes the sum of total customs dissatisfaction. A second competitor could locate next to the first brand and fight for market share. Or it clear locate is a corner to attract a customs group that was not satisfied with the cluster brand. If several brands are in the market, they are likely to position through at the space and show real differences to match consumer-preference differences.

1.4.3 Clustered Preferences

The market might reveal distinct preference clusters, called natural market segments. The firm in this market has three options. It might position in the center, hoping to appeal to all groups. It might position in the largest market segment (concentrated marketing). It might develop several brands, each positioned in a different segment of the first firm developed only one brand, competitors would enter and introduce brands in the others segments.

4.5 MARKET SEGMENTATION PROCEDURE

The three steps procedure for identifying market segments: survey. Analysis, and profiling.

4.5.1 Step One: Survey stage

The researcher conducts exploratory interviews and focus groups to gain insight into consumer motivations, attitudes, and behavior. Then the researcher prepares a questionnaire and collects data on attributes and their importance ratings; brand awareness and brand ratings; product usage patterns, attitudes toward the product category; and demographics, geographic, psychographics, and media graphics of the respondents.

4.5.2 Step Two: Analysis Stage

The researches applies factor analysis to the data to remove highly correlated variables, then applies cluster analysis to create a specified number of maximally different segments.

4.5.3 Step Three: - Profiling Stage

Each cluster profiled in terms of its distinguishing attitudes, behavior, demographics, psychographics, and media patterns. Each segment is given a name based on its

Dominant Characteristic

Market segmentation must be redone periodically because market segments change. At one time the personal computer industry segmented its products purely on speed and power, thus appealing to the broad swathes, high and users and low end users, but missing out on the prosperous middle. Later PC marketers recognized an emerging “SOHO” market, named for “Small office and home office. Mail-order companies such as Dell and Gateway appealed to this market’s requirement for high performance coupled with

low price and user-friendliness. Shortly thereafter PC makers began to see SOHO as comprised of smaller segments.

One way to discover new segments is to investigate the hierarchy of attempts that consumers examine in choosing a brand. This process is called partitioning. Years ago, most car buyers first decided on the manufacturer and then on one of its car divisions (brand dominant hierarchy). A buyer might four general motorcars and with in this set, Pontiac. Today, many buyers decide first on the nation from which they want to buy a car (nation-dominant hierarchy)

Buyers may first decide they want to buy a Japans car, then Toyota, and then the corolla model of Toyota. Companies must monitor potential shifts in the consumer's hierarchy of attributes and adjust to changing priorities.

The hierarchy of attributes can several customer segments. Buyers who first decide on price are price dominant; those who first decide on the type of car (eg. Sports, passengers, station wagons) are type dominant; these who first decide on the car brand are brand dominant. Each segment may have distinct demographics, psychographics, and media graphics.

4.6 CONSUMER MARKET SEGMENTATION VARIABLES

Dividing the total market into ultimate consumer and business user segments results in segments that are still broad and varied for most products.

The customer market may be divided into further segments using the following characteristics.

1. Geographic
2. Demographic
3. Psychographics
4. Buying Behaviour

4.6.1 Geographic Segmentation

Subdividing markets into segments based on geographic distribution –the regions, countries, cities, and towns where people live and work –is usually used. The reason for this is simply that consumers wants and products usage often are related to one or more of these subcategories. Geographic characteristics are also measurable and accessible –two of the conditions for effective segmentations. i.e. Many firms market this products in a limited number of geographic regions, or they may market nationally but prepare a separate marketing mix for each region.

Geographical bases of segmentation

Region → Region 1 – 14
City → A.A. Diredawa, Awassa, Nathreth.
Urban-Rural → Urban, Sub Urban, Rural
Climate → Hot, cold, sunny, rainy, cloudy

The regional distribution of population is important to marketers because people within a given region generally tend to share the same value, attitude and style preference. However, significant differences do exist among regions because of differences, in climate, social customs, and other factors.

4.6.2 Demographic Segmentation

In demographic segmentation, the market is divided into groups on the basis of variable such as age, family size, family lifecycle, gender, income, occupation, education, religion, race, generation, nationality, social class.

Demographic variables are the most popular bases for distinguishing customer groups. One reason so that consumer wants, preferences and usage rates are often associated with demographic variables. Another is that demographic variables are easier to measure.

Demographical bases of segmentation

Income → Under $1000, $1000-$2500, over $2500
Age → Under 5, 5-10, 10-19, 20-34, 35+
Gender → Male, Female
Family lifecycle → Young, single, married, no children
Social class → Upper class, middle class, lower class
Education → High school, Diploma, Degree
Occupation → Professional, managers, clerical, employee
Religion → Orthodox, Muslim, catholic, protestant, etc
Ethnic Background → African, Asian, European

Even when the target market is described in non-demographic term (say, a personality types), the link lack to demographic characteristic is needed in order to estimate the size of the target market and the media that should be used to reach it efficiently. Here is how certain demographic variables have been used to segment markets.

1. **Age and lifecycle stage**

Consumer's wants and abilities change with age. Photo companies are now applying age and lifecycle segmentation to the film market. With film sales down, photo companies are working hark to exploit promising niche markets: moms, kids, and older people. Nevertheless, age and lifecycle can be tricky variables. For example, the Ford motor company designed its Mustang automobile to appeal to young people who wanted an inexpensive sport car. But ford found that the car was being purchased by all age groups, It then realized that its target market was not chronologically young but the psychologically young.

2. **Gender**

Gender segmentation has long been applied in clothing, hairstyling, cosmetics, and magazines. Occasionally other marketers notice an

opportunity for Gender segmentation. Consider the cigarette market, where brands like Virginia slings have been introduced accompanied by appropriate flavor, packaging, and advertising cues to reinforce a female image.

The automobile industry is beginning to recognize Gender segmentation. With more women car owners, some manufacturers are designing certain futures to appeal to women, although stopping short of advertising the cars as women's cars.

3. **Income**

Income segmentation is a long-standing practice in such product and service categories as automobiles, boats, clothing, cosmetics, and travel. However, income does not always predict the best customs for a given product. Blue-collar workers among the first purchasers of color television sets. It was cheaper for they to buy these sets. It was cheaper for them to buy these sets than to go to movies and restaurants.

4. **Social Class**

Social class has a strong influence on preference in case, clothing, house furnishing, leisure activities, reading habits, and retailers. Many companies design products and services for specific social classes.

4.6.3 Behavioral Segmentation

Some marketers regularly attempt to segment their markets on the basis of product related behavior –they utilize behavioral segmentation. In this section we briefly consider two of these the benefit desired from a product, and the rate at which the consumer uses the product.

Bases of Behavioral Segmentation: -

- Benefits desired: - Cost, quality, operating life
  Occasions: - Regular occasions, special occasions

User status: - Non-user, exusel, potential user, first time used

- Usage rate: - nonuser, light user, heavy user.
  Loyalty status: - None, medium, strong, absolute
  Readiness stage: - unaware-aware, informed, interested desirous, intending to buy
  Attitude toward products: - Enthusiastic, positive, indifferent, negative hostile

1. **Benefits desired**

Many companies credited with drawing attentions to the notion of benefit segmentation when they described a hypothetical division of their product market based on the benefits desired.

Two things determine the effectiveness of benefits segmentation. First, the specific benefits consumers are seeking must be identified. This typically involves several research steps, beginning with the identification of all possible benefits related to a particular product or behavior through brainstorming, observing consumers, and listing to focus groups.

The second task, once the separate benefits are known, is to describe the demographic and psychographics characteristics of the people seeking each benefit.

2. **Usage Rate**

Another basis for market segmentation is the rate at which people use or consume a product. A frequently used categorization of usage rate is nonusers, light users, medium users, and heavy users. Normally a company is most interested in the heavy users of its products.

Sometimes a marketer will select as a target market the nonuser or light user, intending to woo these customers into higher usage. Or light users may constitute an attractive niche for a seller simply because they are being ignored by firms that are targeting heavy users. Once the characteristics of

these light users have been identified, management can go to them directly with our introductory low price after. Or a seven might get consumers to increase their usage rate by: -

i) Describing new uses for a product
ii) Suggesting new times or places of use
iii) Offering multiple unit packaging

3. **Loyal Status**

Consumers have varying degree of loyalty to specific brands, stores, and others entities. Buyers can be divided into four groups according to brand loyal status: -

1. Hard-core loyal: - Consumers who buy one brand all the time
2. Split loyal: - Consumers who are loyal to two or three brands.
3. Shifting loyal: - Consumers who shift from one brand to another
4. Suit hers: - Consumers who show no loyalty to any brand.

Each market consists of different numbers of the four types of buyers. A brand loyal market is one with a high percentage of hard-core brand loyal buyers. A company can learn a great deal by analyzing the degree of brand loyalty by studying its hard-core loyal, the company can identify its products strengths. By studying its split loyal, the company can in point which brands are most competitive with its own. By looking at customers, which are shifting away from its brand, the company can learn about its marketing weakness and attempt to correct them. One caution: what appear to be a brand loyal purchase patterns may reflect habit, indifference, a low price, a high switching cost, or the non availability of other brands. Thus a company must carefully interpret what is behind the observed purchase patterns.

4. Buyers Readiness Stage

A market consists of people in different states of readiness to buy a product. Some are unaware of the product, some are aware, some are informed,

some are interested, some desire the product, and some intend to buy. The relative numbers make a big difference in designing the marketing program.

5. Attitude

Five attitude groups can be found in market enthusiastic, positive, indifferent, negative, and hostile.

To the extent that attitudes are correlated with demographic descriptors.

4.6.4 Psychographics Segmentation

In psychographics segmentation, buyers are divided into different groups on the bases of lifestyle or personality and values. People with the same demographic group can exhibit very different psychographics profiles.

Lifestyle: - People exhibit many more lifestyle than are suggested by the seven social classes. The goods they consume express their lifestyle.

Companies making cosmetics, alcoholic beverages and furniture are always seeking opportunities in lifestyle segmentation. But lifestyle segmentation does not always work.

Personality: - Marketers have used personality variable to segments. They endow their products with brand personalities that correspond to consumer's personalities. In the late 1950, Fords and Chevrolets were promoted as having different personalities. Ford buyers were identified as independent, impulsive, muscular, alert to change and self-confident.

Values: - Some marketers segment by core values, the belief system that underlie consumer attitudes and behavior. Core values go much deeper than behavior or attitude, and determine at a basic level, people's choices and desires over the long term. Marketers that segment by values behave that by appealing to people's inner selves it is possible to influence this outer selves their purchase behavior.

4.7 BUSINESS MARKET SEGMENTATION VARIABLES

Some of the bases used to segment the consumer markets are also useful bases for segmenting business markets. For example, we can segment business markets on a geographic basis. Some industries are geographically concentrated. For example, firms that process natural resources locate close to the source to minimize shipping costs. Other industries, such as manufactures of recreational vehicles, are geographically concentrated simply because newer firms choose to locate near the industry pioneers. Any firm that sells to these industries could use geographic segmentation.

Also, like consumers, business makes demographics that can be used to segment a market. For example, the size of a firm (measured by sales volume or number of employees), the firms type of business (advertising agencies typically focus on either clients that market to consumer or firms that sell to other businesses), or the firms methods of buying (some rely on price and select the lowest bidder, while others use criteria such as quality or delivery time). Sellers also can segment on the benefits desired by the buyer and or a product usage rates.

To get a feel for business market segmentation, let's look at segmenting by i) Types of customers, ii) size of customers and iii) Type of buying situation

4.7.1 Type of Customers

Any firm that sells to business customers in a variety of industries may want to segment its market on the basis of customer types. For example, a firm that sells small electric motors would have a broad potential market among different industries. However, this firm will do better by segmenting its potential market by type of customer and specializing in order to more completely meet the needs of firms in a limited number of these segments.

4.7.2 Size of Customers

Business customer size can be measured by such factors as sales volume, number of employee's number of production facilities, and number of sales offices. Many sellers divide their potential market into large and small accounts, using separate distribution channels to reach each segments. The seller's sales force may sell directly to large volume accounts. Buy to reach the smaller accounts, the seller may use a middleperson.

4.7.3 Type of Buying Situation

It is one thing for United Airlines to decide between buying a new model of a Boeing Airplane versus an alternative from McDonnell Douglas or Airbus. It is quite another buying situation for a company to replenish its supply of staples or ballpoint pens. Certainly the first buying situation –called a new buy –is significantly different from the second –called a straight re buy. This situation as, a long with one in between called a modified re buy. These buying situation are sufficiently different that a business seller might well segment its market into these three buy class categories. Or the seller could at least set up the segments by combining new buy and modified re buy into one segment. Different marketing programs would be developed to reach of these two or three segments.

4.8 MARKET TARGETING

4.8.1 Meaning of Market Targeting

Market Targeting is the process of selecting one or more market segments to enter

4.8.2 Target Market Strategies

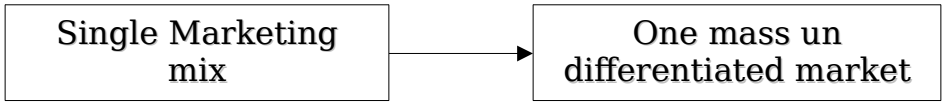
Let's assume that a company has segmented the total market for its product. Now management is in a position to select one or more segments

as its target markets. The company can follow one of three strategies – market aggregation, single-segment concentration, or multiple –segment targeting. Four guidelines govern how to determine which segments should be the target markets. The first is that target markets should be compatible with the organizations goal and image. The second is to match the market opportunity represented in the target markets with the company's resources. Over the long run, a business must generate a profit to survive. This rather obvious statement translates into our third market –selection – gridline. Fourth, a company ordering should seek a market more there are the least and smallest competitors.

A seller should not enter a market that is already saturated with competition inters it has save overriding differential advantage that will enable it to take customers from existing firms.

4.8.3 Aggregation Strategy

By adopting a market aggregation strategy also known as a mass-market or un-differentiated market strategy –a seller treats its total market as a single segment.



An aggregated market numbers are considered to be alike with respect to demand for the product. Therefore management can develop a single marketing mix and reach most of the customers in the entire market. That is the company develop a single product for this mass audience. It develops one pricing structure and one distribution system of its product. And it uses a single promotional program aimed at the entire market.

This strategy would be appropriate for firms that are marketing an un differentiated, staple product such as salt or sugar. In the eyes of many

people, sugar is sugar. Regardless of the brand, and all brands of table salt are pretty much alike.

The strength of a market aggregation is in its cost minimization. It enables a company to produce, distribute, and promote its product very efficiently. Producing and marketing one product for the entire market means longer production runs at lower unit costs. Inventory costs are minimized when there is no (or very limited) variety of colors and size of products. Warehousing and transportation are most efficient when one product is going to one market. Promotion costs are minimized when the same message is transmitted to all customers.

4.8.4 Single Segment Strategy

A single-segment (or concentration) strategy involves selecting one segment from within the total market as the target market. One marketing mix is developed to reach this single segment. A company may want to concentrate on a single market segment rather than to take on the competitors in the broaden market.

A single-segment strategy enables a seller to penetrate one market in depth to acquire a repetition as a specialist or an expect in this limited market. A company can imitate a single-segment strategy with limited resources. And as long as the single segment remains a small market, large competitors are likely to leave it alone. However, if the small market should show signs of becoming a large market, big boys jump in.

Single Marketing Mix → Market Segment A
→ Market Segment B
→ Market Segment C

The risk and limitation of a simple-segment strategy is that the seller has all its eggs in one basket. If the market potential of that single segment declines, the seller can suffer considerably. Also a seller with a strong name

and reputation in one segment may find it very different to expand in to another segment.

4.8.5 Multiple-Segment Strategy

Under a multiple-segment strategy two or more difficult groups of potential customer one identified as target markets. A separate marketing mix is developed to reach segment.

Marketing mix A → Market segment A
Marketing mix B → Market segment B
Marketing mix C → Market segment C

In a multiple-segment strategy, a seller frequently will develop a different version of the basic product for each segment. However, market segmentation can also be accomplished with no change in the product, but rather with separate distribution channels or promotional appeals, each tailored to a given market segment.

A multiple segment strategy normally results in a greater sales volume than a single segment strategy. It also is useful for a company facing seasonal demand. A firm with excess production capacity may well seek additional market segment to absorb this capacity.

Multiple segments can provide benefits to an organization, but the strategy has some drawbacks with respect to costs and market coverage. In the first place, marketing to multiple segments can be expensive in both the production and marketing of products. And a multiple-segments strategy increases marketing expenses in several ways. Total inventory costs go up, because adequate inventories of each style, color, and the like must be maintained. Advertising costs go up, because different ads may be required for each market segments. Distribution costs are likely to increase as efforts are made to make products available to various segments. Finally, general

administrative expenses go up when management must plan and implement several different marketing programs.

4.9 MARKET POSITIONING

4.9.1 Meaning of Market Positioning

Establish and communicate the products key distinctive benefits in the market (Market Positioning)

4.10 TOOLS FOR COMPETITIVE DIFFERENTIATIONS

A company must try to identify the specific may it can differentiate its products to obtain a competitive advantage.

Differentiation is the act of designing a meaningful differences to distinguish the company's offering from competitors offering.

How exactly can a company differentiate its market offering from competitors? Here we will examine how a market offering can be differentiated along time dimensions: - product, services, personnel, channel or image.

4.10.1 Product Differentiation

Differentiation of physical products takes place along a continuous. At one extreme we find highly standards products that allow little variation. At the other extreme are products capable of high differentiation, such as automobiles, commercial holdings, and furniture. Here the seller faces an abundance of design parameters. The main product differentiations are features, performance, conformance, durability, reliability, reparability, style and design.

1. **Features: -**

Features are characteristics that supplement the products basic function. The starting point of feature differentiation is a stripped down, or "bare

bones”, version of the product. The company can create additional version by adding extra features. Thus an automobile manufactures can after optional features, such as electric windows, air bags, automatic transmission, and air conditioning. Each features has a chance of capturing the fancy of additional buyers.

How can a company identify and select appropriate features? One answer is for the company to contract recent buyers and ask them a series of questions. How do you like the product? Any bad features? Good features? Are there any features that could be added that would improve your satisfaction? What are they? How much would you pay for each feature? How do you feel about each of several features that other customers suggested?

This research will provide the company with a long list of potential features. The next task is to decide which features one worth adding.

2. **Performance quality**

Most products are established initially at one of four performance levels, low, average, high and superior.

Performance quality refers to the level at which the products primary characteristics operate.

The important question here is: Does higher product performance produce higher profitability?

Quality’s link to profitability does not mean that the firms should always design the highest performance level possible. There are diminishing returns to level increasing performance, in that fewer buyers are willing to pay for it. The manufacturer must design a performance level appropriate to the target market and competitor’s performance levels.

A company must also decide how to manage performance quality through time. Three strategies are available here. The first, where the manufacture continuously improves the product, often produces the highest return and market share.

The second strategy is to maintain product quality at a given level. The third strategy is to reduce product quality through time. Some companies cut quality to offset rising costs, hoping the buyers will not notice any difference. Others reduce the quality deliberately in order to increase their current profits, although this course of action often hurt their long run profitability.

3. **Conformance quality**

Buyers expect products to have a high conformance quality.

Conformance quality is the degree to which all the produced units are identical and meet the promised target specifications.

Suppose a Porsche 944 is designed to accelerate to 60 miles an hour within 10 seconds. If every Porsche 944 coming off the assembly line does this, the model is said to have high conformance quality. However, If 944s vary greatly in their acceleration time, they have low conformance on this criterion. The problem with low conformance is that the product will felt to deliver on its promises to many buyers.

4. Durability: -

Durability is a very important product attribute to most buyers.

Durability is a measure of the product’s expected operating life under natural and/or stressful conditions.

Buyers will generally pay more for products that have more durability. However, this rule is subject to some qualifications. The extra price must not be exclusive. Further more, the product must not be subject to

technological obsolescence, in which case the buyer may not pay more for longer-lined products.

5. Reliability

Buyers normally will pay a premium for product with more reliability.
Reliability is a measure of the probability that a product will not manufacture or fail within a specified time period.

Buyers want to avoid the high costs of product breakdowns and repair time.

6. Reparability: -

Buyers prefer products that are easy to repair.
* Reparability is a measure of the ease of fixing a product that manufactures or fails.

Thus an automobile made with standard parts that are easily replaced has high reparability. Ideal reparability would exist if users could fix the product themselves with little or no cost or time lost. The buyer might simply remove the defective part and insist a replacement part.

7. Style: -

Buyers are normally willing to pay a premium for products that are attractively styled. Style describes the product's looks and feel to the buyer.

Many car buyers pay a premium for jaguar automobiles because of this extraordinary look, even though Jaguar had in the past a poor record of reliability.

Style has the advantage of creating product distinctiveness that is difficult to copy. Under style differentiation, we must include packaging as a shying weapon, especially in food products, cosmetics, toiletries, and small-consumed appliances.

The package provides the buyer's first encounter with the product and is capable of turning the buyer on or off.

8. Design

As competitions intensify, design will offer one of the most patent ways to differentiate and position a company's products and services.

Design is the totality of features that affect how a products look and functions in terms of customer requirements.

Design is particularity important in making and marketing durable equipment, apparel, retail services and packaged goods. All of the qualities we've discussed under the meaning "Product differentiation are design parameters. The design has to figure out how much to invest in feature development, performance, conformance, reliability, reparability, style and so forth.

4.10.2 Service Differentiation

In addition to differentiating its physical products, a firm can also differentiate its services. When the physical product cannot easily be differentiated, the key to competitive success often lies in adding more value-adding service and improving their quality. The main service differentiation are ordering ease, delivery, installation, customer training, customers consulting, maintenance and repair, and a few others.

1. **Ordering Ease: -**

Ordering ease refers to how easy it is for the customer to place an order with the company. For example, some company's has eased the ordering process by supplying customers with computer terminals through which they send orders directly to the seller. Many banks are now providing home banking software to help customers get information and transact with the bank more efficiently.

2. **Delivery: -**

Delivery refers to how well the product or service is delivered to the customers. It includes the speed, accuracy, and care attending the delivery process. Buyers will often choose the supplier with a better reputation for on-time delivery.

3. **Installation: -**

Installation refers to the work done to make a product operational in its planned location. Buyers of heavy equipment expect good installation service from the vendor. For examples, some companies deliver all the purchased equipment to the site at the same time rather than sending in different components at different times.

4. **Customer Training: -**

Customer training refers to training the customer's employees to use the vendor's equipment properly and efficiently. Some companies are not only selling and installs this expensive equipments but also takes on the responsibility for training the uses of this equipment.

5. **Customer Consulting: -**

Customers consulting refer to data, information systems, and advising services that the seller offers free or for a price to buyers. Some sellers consult their buyers in setting up accounting and inventory systems, computer ordering systems and so forth.

6. **Maintenance and Repair**

Maintenance and repair describes the company's service program for helping customers keep this purchased product in good working order.

Automobile buyers are especially concerned with the quality of repair service that they can expect from this dealer.

7. **Miscellaneous Services**

Companies can find many other ways to add value by differentiating their customer services. They can offer a better product warranty or maintenance contract than their competitors. They can establish patronage awards, as the airlines have done with their frequent-flyer programs.

4.10.3 Personnel Differentiation

Companies can gain a strong competitive advantage through hiring and training better people than their competitors do. Better-trained personnel exhibit six characteristics:

- Competence –The employees possess the required skill and knowledge.
- Courtesy –The employees are friendly, respectful and considerate.
- Credibility –The employees are trust worthy.
- Reliability –The employees perform the service consistently and accurately.
- Responsiveness –The employees respond quickly to customer's requests and problems.
- Communication –The employees make an effort to understand the customer and communicate clearly.

4.10.4 Channel Differentiations

Companies can achieve differentiation through the way they shape their distribution channel, particularly these channels coverage, expertise, and performance. For example, caterpillars success in the construction – equipment industry is based partly on its superior channel development. Its dealers are found in more locations than competitor's dealers and caterpillars dealers are typically better trained and perform more reliably.

4.10.5 Image Differentiations

Even when competing offers look the same buyers may respond differently to the company image or brand image. Consider the success of Marlboro cigarette. The primary way to account of Marlboro's extraordinary worldwide market share (around 3%) is that Marlboro's "Macho Cowboy" image has struck a responsive chord with much of the cigarette smoking public.

4.10.6 Identity Versus Image

It is important to distinguish between identity and image. Identity comprises the ways that a company aims to identify itself or positions its product.

Image is the way the public perceives the company or its products. The company designs an identity or positioning to shape the publics image, but other factors may intervene to determine each person's resulting image.

An effective image does three things for a product. First, it conveys a singular message that establishes the product's character and value propositions. Second, it conveys this message in a distinctive way so that it is not confused with similar messages from competitors. Third, it delivers emotional power so that it stirs the hearts as well as the minds of buyers.

Symbols

A strong image consists of one or more symbols that trigger company or brands recognition. The company and brand logos should be designed for instant recognitions. The company might choose some object as a lion, a famous person, companies may also choose a color identifiers such as blue or red.

Written and audiovisual media

The chosen symbol must be worked into advertisements that convey the company or brand personality. The ads should convey a strong line, a mood, a performance level –Something distinctive.

The messages should be replicated in other publications, such as annual reports, brochures, and catalogs. The company's stationery and business cards should reflect the same image that the company wants to convey.

Atmosphere

The physical space in which the organizations produces or delivers its products and services that looks friendly must choose the right building design, interior design, layout, colors, materials and finishing's.

Events: -

A company can tried an identity through the type of events it sponsors. The bottled water company came into prominence by laying at exercise tracks and sponsoring health sports events.

4.11 DEVELOPING A POSITIONING STRATEGY

Companies use several tactics to differentiate their products and brands. Even is the case of commodity products, the company must see its task as that of converting an undifferentiated product into a differentiated offering. But one all brands differences are meaningful or worthwhile. Not every difference is a differentiator. Each difference has the potential to create company costs as well as customer benefits. Therefore the company must carefully selects the way in which it will distinguish itself from competitors. A difference is worth establishing to the extent that it satisfies the following criteria.

4.11.1 Important

The difference delivers a highly valued benefit to a sufficient number of buyers.

4.11.2 Distractive

The difference either is not offered by others or is offered in a more distinctive way by the company.

4.11.3 Superior

The difference is superior to other ways of obtaining the same benefits.

4.11.4 Communicable

The difference is communicable and visible to buyers.

4.11.5 Preemptive

The difference cannot be easily copied by competitors.

4.11.6 Affordable

The buyers can afford to pay for the difference

4.11.7 Profitable

The company will find it profitable to introduce the difference

Each firm will want to promote those few differences that will appeal most strongly to its target markets. In other words. The firm will want to develop a focused positioning strategy.

4.12 POSITIONING ERRORS

Positioning is the act of designing the company's offering and image so that they occupy a meaningful and district competitive positions in the target customers mind.

For example, one auto company might choose to differentiate it cars on durability, while its competitors may choose to emphasis fuel economy comfort or smoothness of ride. The end result of positioning is the successful creates of a market focused value preposition, a simple clean statements of why the target market should buy the product.

As companies increase the number of claims for this brand, they risk disbelief and a loss of clear positioning. In general, a company must avoid four major positioning errors: -

4.12.1 Over Positioning

Buyers may have too narrow an image of the brand. Thus a consumer might think that the product that has been initially set high may reduce the price latter.

4.12.2 Under Positioning

Some companies discover that buyers have only a vague idea of the brand. Buyer does not really sense anything special about it. The brand is seen as just another entry in a crowded market place.

4.12.3 Confused Positioning

Buyers might have a confused image of the brand resulting from the company's making too many claims or changing the brands positioning too frequently. Companies may position first for students, then for engineers and then for business people.

4.12.4 Doubtful Positioning

Buyers may find it hard to believe the brand claims in view of the products features, price, or manufacturers.

The advantages of solving the position problem is that enables the company to solve the marketing mix problems. The marketing mix-product, price, place and promotion- is essentially the working out of the tactical details of the positioning strategy.

Thus, a firm that seizes upon the "high quality" position" knows that it must produce high quality products, change a high price, distribute through high-

class dealers, and advertise in high quality magazines. This is the primary way to protect a consistent and believable high quality image.

4.13 DIFFERENT POSITIONING STRATEGIES

4.13.1 Attribute Positioning

This occurs when a company positions itself on an attribute such as size, number of years in existence and so forth.

4.13.2. Benefit Positioning

Here the product is positioned, as the leader in a certain benefit.

4.13.3. Use/Application positioning

This involves positioning the product as best for some use or application. I.e. AutoCAD software can best be positioned as suitable to Architectural drawings.

4.13.4 User Positioning

This involves positioning the product as best for some uses group. I.e. AutoCAD software to Architects.

4.13.5 Competitor Positioning

Here the product positions itself as better in some way that a named or implied competitor.

4.13.6 Product category Positioning

Here the product positioned as the leader in a certain product category.

4.13.7 Quality price positioning

Here the product positioned as offering the best value i.e., high quality / high price, or lowest price.

Check Your Progress Exercise

1. What is market segmentation?

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2. What is market positioning? Identify four patterns of positioning?

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3. What is market targeting? Discuss the pattern of target market selections?

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4. Discuss the pattern of market segmentation?

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5. What is niche marketing?

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4.14 SUMMARY

In a competitive industry, the key to competitive advantage is product differentiation. A market offering can be differentiated along five dimensions: product (features, performance, quality, conformance, quality, durability, reliability, reparability, style, design, services (ordering ease, delivery, installation, customer training, customer consulting, maintenance, and repair, miscellaneous services), personnel, channel or image (symbols, written and audiovisual media, atmosphere, and events). A difference is worth establishing to the extent that it is important, distractive, superior, communicable, preemptive, affordable, and profitable.

Many marketers advocate promoting only one product benefit, thus creating a unique selling preposition as they position their product. People tend to remember “number one”. But double benefit positions and triple positioning can also be successful as long as marketers take steps to ensure that they do not under position, over positions or create confused or doubtful positioning.

Once the company has developing a clear positioning strategy, it must communicate that positioning effectively via marketing mix.

A market consists of people or organization with wants, money to spend and the willingness to spend it. However, with in most markets the buyers needs are not identical. Therefore, a single marketing program for the entire market is unlikely to be successful.

A sound marketing program starts with identifying the deference that exist with in a market, a process called market segmentation.

Market segmentation is dividing the total market based on homogeneity, which need a separate or unique marketing mix. Market segmentation enables a company to make more efficient use of its marketing resources.

The four major bases that may be used for further segmenting the consumer market are

1) Demographic – the distribution of population
2) Demographic – the vital statistics of the population, such as income, age, and gender;
3) Psychographics – personality traits and lifestyles, and
4) Behavioral – benefits desired and product usage rates.

Firms selling to the business market may use some of these same bases for segmentation.
In addition the business market may be segmented on the bases of (1) type of customer (2) size of customer, and (3) type of buying situation.

Normally, in either of the consumer or business market, a seller will use a combination of two or more segmentation bases.

The three alternative strategies for selecting a target market are: market aggregation, single segment, and multiple segment. Market aggregation involves using one marketing mix to reach a mass, undifferentiated market.

With a single segment strategy, a company still uses only one marketing mix, but it is directed at only one segment of the total market. A multiple segment strategy entails selecting two or more segments and developing a separate marketing mix to reach each segment.

4.15 ANSWER KEY TO CHECK YOUR PROGRESS EXERCISE

1. Refer to Section 4.2
2. Refer to section 4.9
3. Refer to section 4.8
4. Refer to section 4.4
5. Refer to section 4.3.2

4.16 REVIEW QUESTIONS

Part I – Fill in the Blanks

1 _____ is identify and proving distinct buyers who might require a separate product or marketing mix.

2. _____ Establishing and communicating the products' key distinctive benefits in the market

3. _____ Shows a market where all the consumers have roughly the same preference.

4. _____ Shows a consumer preferences vary greatly

5. _____ Segmentation reveals that buyers divided into groups on the basis of knowledge, attitude, or response to a product

Part II. Say True or False

1. Culture could be segmented on the bases of Demographic variables.
2. The broad bases of segmenting the market is based on Demographic variables.
3. Market targeting calls for identify distinct customer groups that require separate marketing mix.
4. In behavioral segmentation, buyers are divided into groups on the basis of this knowledge, altitude towards use of or response to a product.
5. Geographic segmentation calls for dividing the market on such basis as nations, states, regions, countries, cities etc.
6. A niche is a more narrowly defined group typically a small market whose needs are not well served.
7. Market positioning calls for establishing and communicating the products key distinctive benefits in the market.
8. Market targeting calls for selecting one or more market to enter.
9. Market segmentation is identifying and protecting distinct groups of buyers who might require separate product or marketing mix.
10. A niche is a more narrowly defined group, typically a small market whose needs are not well served.