Chapter: 1  INTRODUCTION

1.1  Background of the study

1.1.1  Introduction to market segmentation

McDaniel C (2009) says that within a market, a market segment is a subgroup of people or organizations sharing one or more characteristics that cause them to have similar product needs [1]. At one extreme, we can define every person and every organization in the world as a market segment because each is unique. At the other extreme, we can define the entire consumer market as one large market segment and the business market as another large segment. All people have some similar characteristics and needs, as do all organizations.

From a marketing perspective, market segment can be described as somewhere between the two extremes. The process of dividing a market into meaningful, relatively similar, and identification segment or group is called market segmentation. The purpose of market segmentation is to enable the marketer to tailor marketing mixers to meet the needs of one or more specific segments.

Market segment is therefore the process of identifying different groups of users within market who could possibly be targeted with separate products or marketing programmers. The concept has its origins in early economic theory, where it has long been established that demand is linked to the level of competition and to pricing, but it was Smith (1956) who first extended the link to user differences [2].

Sally Dibb (1996) says that the underlying premises of market segmentation are that not at all customers have the same products or service needs [3]. For this reason it is rarely appropriate to use a single sales and marketing programmer to attract all potential customers. True mass marketing, it seems, is at an end and companies must respect the variety of needs which customers display and reflect this is their market place offering.
Equality, with a few exceptions, it is unrealistic for companies to customize their marketing program for individual customers. Market segmentation allows a balance to be struck between the heterogeneity of customers on one side and the limited resources of suppliers on the other. This is achieved because customers sharing broadly the same product/brand requirement and buying behaviors can be grouped together to form a market segment. Customers within a market segment will tend to have homogeneous consumption patterns and product attitudes which are different from those in other segments.

According to Malcolm McDonald (2004) most companies acknowledge the existence of segment of customers with similar needs and market more than one group of customers [4]. Many successful companies attribute their success to identifying and meeting the needs of certain kinds of customers. Few companies have the resources to offer different products to all customer segments in a particular market. Instead, they concentrate on the most lucrative or beneficial segments.

This is market segment: the identification of sub-groups of customers who share common needs; the selection of which of these groups or segment to target; and, the presentation to these targeted customers of well-defined sales and marketing programmers emphasizing a distinctive product image or brand positioning.

Within a market, a market segment is subgroup of people or organization sharing one or more characteristics that cause them to have similar product’s needs. At one extreme, we can define every person and every organization in the world as a market segment because each is unique. At the other extreme, we can define entire consumers market as one large segment. All people have some similar characteristics and needs, as do all organization.

Charles W Lamb (2009) says that from a marketing perspective, market segment can be described as somewhere between the two extremes [5]. The process of dividing a market into meaningful, relatively similar, and identifiable segment or groups is called market segmentation. The purpose of market segmentation is to enable the marketer to tailor marketing mixes to meet the needs of one or more specific segments.
Market segments play a role in the marketing strategy of almost all successful organization and are a powerful marketing tool for several reasons. Most important, nearly all markets include groups of people or organization with different products needs and preferences. Market segmentation helps marketers to define customer needs and wants more precisely. Because market segmentation helps decision-makers makes more accurately define market objectives and better allocated resources. In turn, performance can be better evaluated when objectives are more precise.

Doole I (2008) says that market segmentation also provides the key to improving a company’s competitive position. Offering one product for all, that is the same or similar to competitors is likely to cause a downward pressure on margins and a situation where only the lowest cost producer can win [6]. Thus it makes sense to choose the segment of the market that provides the best fit with the strengths of the business. By doing so, a business will build on its specialist knowledge and expertise, enabling it to develop competitive advantage and help avoid a price attack. The importance of market segmentation is illustrated in the following figure:

![Figure 1.1 Importance of market segmentation](source: Doole I (2008), International Marketing Strategy: Analysis, development and implementation, Cengage Learning, USA.)
Joseph H Hair (2008) says that market segmentation plays a key role in the marketing strategy of almost all successful organizations and is a powerful marketing tool for several reasons [7]. Most important, nearly all markets include groups of people or organizations with different products needs and preferences. Market segmentation helps marketers define customer needs and wants more precisely. Because market segments differ in size and potential, segmentation helps decision makers to more accurately define marketing objectives and better allocate resources. In turn, performance can be better evaluated when objectives are more precise.

Joseph F Hair (2010) Marketers segment markets for three reasons first, segmentation enables markets to identify groups of customers with similar needs and to analyze the characteristics and buying behavior of these groups. Second, segmentation provides marketers with information to help them design marketing mixes specifically to help them design marketing mixes specifically matched with the characteristics and desire of one or more segments. Third, segmentation is consistent with the marketing concept of satisfying customer wants and needs while meeting the organizations objectives [8].

According to Cravens (2009, pp 99) market segment needs to be considered early in the development of market-driven strategy [11]. Segments are determined, customer value opportunities explored in each segment, organizational capabilities matches to promising segment opportunities, market target(s) selected from the segment(s) of interest, and a positive strategy and implement for each market target (Figure 1.2)
Thus it can be understood that markets remain un-segmented in the initial stages of a launch of a product and market segments evolve with the maturity of product in a due course of time. The marketers according to the evolution devise new strategies, variables and methods to segment a market.

1.1.2 An introduction to segmentation base:

A segmentation basis is defined as a set of variables or characteristics used to assign potential customers to homogenous groups. Following Frank, Massy and Wind (1972), classifies the segmentation bases into general (independent of products, services or circumstances) and product specific (related to both customer and the product service and/or particular circumstances) bases (Baker M J, 2007; Kardes F, Cronley M, 2011) [12, 13, 14]. Furthermore the bases are classified into whether they are observable or unobservable. That typology holds for the bases used for segmentation of both consumer and industrial markets although the intensity with which various bases are used differs across the two types of markets.
Observable General Bases: Nelissen W (2002) says that a number of bases widely used especially in early applications of market segmentation research are in this category: cultural variables, geographic variables, neighborhood, geographic mobility, demographic and socioeconomic variables, postal code classifications, household and firm size, standard industrial classification and socioeconomic variables. Media usage also is in this class of segmentation bases. Socioeconomic status is usually derived from sets of measures involving household income and education of household members [15]. An example of a social classification is the following definition of social classes.

- A-upper middle class (head of the household successful business or professional person, senior civil servant or with considerable private means)
- B- Middle class (head of the household senior, well off, respectable rather than rich or luxurious).
- C1-Lower middle class (small trade’s people and white collar workers with administrative, supervisory and clerical jobs)
- C2- Skilled working class (head of the household mostly has served an apprenticeship).
- D- Semiskilled and unskilled working class ( Entirely manual workers).
- E- Persons at the lowest level of subsistence (old age pensioners, widows, casual workers, those dependent on social security schemes).

These segmentation bases are relatively easy to collect, reliable and generally stable. Often the variables are available from sampling frames such as municipal and business registers so they can be used as stratification variables in stratified and quota samples. Segments derived from the bases are easy to communicate and resulting strategies are easy to implement. The corresponding consumer segments are often readily accessible because of the wide availability of media profiles for most of the bases mentioned. Some differences in purchase behavior and elasticities of marketing variables have been found among these types of segments, supporting the responsiveness criterion for effective segmentation but in many studies the differences were in general too small to be relevant for practical purposes (Frank, 1968; Brennan R, 2010)[16,17]. Although the lack of significant findings in those studies supports the conclusion that the general observable bases are not particularly
effective, it has not resulted in the demise of such bases. On the contrary they continue to play a role in which a broad range of segmentation bases are used. Moreover they are used to enhance the accessibility of segments derived by other bases as media usage profiles are often available according to observable bases.

**Observable Product Specific base:** The base in this class comprises variables related to buying and consumption behavior: user status (Boyd and Massy, 1972; Twedt, 1977) [18, 19], usage frequency, brand loyalty, store loyalty, store patronage, stage of adoption and usage situation. Although most of these have been used for consumer markets they may also apply to business markets. Many such bases are derived from customer surveys although nowadays household and store scanner panels and direct mail lists are a particularly useful sources.

Classification of usage frequency involves two classes: heavy users and light users. Several operationalizations of loyalty have been proposed. Brand loyalty may or may not be directly observable; for example it has been measured through observable variables such as the last brand purchased or as an exponentially weighted average of past purchase history. New operationalizations of brand loyalty are based on event history analysis. With respect to stage of adoption commonly the following five stages are distinguished:

- Innovators are the venturesome and who are willing to try new ideas at some risk.
- Early adopters are the opinion leaders and adopt new ideas early but carefully.
- Early majority are deliberate and adopts before the average person but are rarely leaders.
- Late majority are skeptical and adopts only after the majority.
- Laggards are the tradition bound and suspicious of changes and adopts because the adoption is rooted in tradition).

According to Rogers E M (1962) accessibility of the segments identified from these bases appears to be somewhat limited in view of the weak associations with general consumer descriptors [20]. Several researchers found that consumers who belong to segments with different degrees of brand loyalty do not respond differently to marketing variables. Loyalty was found to be a stable concept. Weak to moderate differences in elasticities of
marketing mix variables were found among segments identified by product specific bases such as usage frequency, store loyalty, etc., indicating that those bases are identifiable and substantial. To a lesser extent they are also stable, accessible and responsive bases for segmentation.

Srivastava, Alpert and Shocker (1984) provided a general theoretical framework for usage situation as a segmentation basis. When demand is substantially heterogeneous in different situations, situational segmentation is theoretically viable [21]. A classification of situational variables has been provided. He distinguishes the following five characteristics of the situation:

- Physical surrounding such as the place of choice decision, place of consumption.
- Social surrounding such as other persons present.
- Temporal perspective such as time of day or week.
- Task definition such as buy or use.
- Antecedent states such as moods, etc.

That classification provides a useful framework for the operationalizations of usage situational bases. Situation based variables are often directly measurable and the segments are stable and accessible. The responsiveness of usage situational segments was investigated by (Hustad and Mayer and Whipple, 1975; Sexton, 1974) [22, 23]. Perceptions of product attributes their rated importance, buying intentions, purchase frequency and purchase volume were all found to differs significantly across usage situations. Consequently the explicit consideration of situational contexts appears to be an effective approach to segmentation.

**Unobservable General Bases:** The segmentation variables within this class fit into three groups: personality traits, personal value and lifestyle. These bases are used almost exclusively for consumer markets. A comprehensive introduction to this class of segmentation bases is provided by Stern P and Wensley R (2002) [24]. Such psychographic segmentation bases were developed extensively by marketer in the 1960s in response to the need for a more lifelike picture of consumers and a better understanding of their motivations. They have spawned from the fields of personality and motivation research.
which have blended in later years into the psychographics and lifestyle areas. Early landmark papers on psychographics are those by Lazarsfeld (1935) [25].

Edward’s personal preference schedule is probably the most frequently used scale for measuring general aspects of personality in marketing. Early applications include those of Firat A F and Shultz C J (1997); later studies include those by Dibb S and Simkin L P, Pride W and Ferrel O C (2005), Clay camp (1965) and Brody and Cunningham (1968) [26,27,28,29]. Other personality traits used for segmentation include dogmatism, consumerism, locus of control, religion and cognitive style.

Values and value systems have been used as a basis for market segmentation by Dibb S and Simkin L (1997) and Kamakura and Mazzon (1991) [30,31]. The most important instrument for the measurement of human values and identification of value systems is the Rokeach value survey. Rokeach postulates that values represent beliefs that certain goals in life and modes of conduct are preferable to others. Those valued are prioritized into value systems and used by individuals as guidance when making decisions in life.

Rokeach instrument includes 18 terminals and 18 instrument values to be ranked separately by respondents in order of importance. A shorter and more easily implemented instrument is the list of values (LOV) suggested by Cardozo R and Wind Y (1974) on the basis of Maslow’s hierarchy [32]. The LOV was especially designed for consumer research. It consists of the following nine items assessing terminal values that are rated on nine point important/unimportant scales. (1) Sense of belonging (2) Excitement (3) Warm relationship with others (4) Self fulfillment (5) Being well respected (6) Fun and enjoyment of life (7) Security (8) Self respect and (9) Sense of accomplishment.

Another important scale for assessing value systems was developed by Schwartz (1990) and later modified by Bilsky (1992) [33, 34]. It includes 56 values representing the following 11 motivational types of values: They are

- Self direction: independent thought and action.
- Stimulation: need for variety and stimulation.
- Hedonism: organism and pleasure oriented needs.
- Achievement: personal success.
• Power: need for dominance and control.
• Security: safety, stability of society, relationships and self.
• Conformity: self resistant.
• Tradition: respect, commitment and acceptance of customs.
• Spirituality: inner harmony, meaning of life.
• Benevolence: pro-social behaviors and goals.
• Universalism: concern for the welfare of all others and nature.

The concept of lifestyle was introduced into marketing research by Lazer (1963) [35] and is based on three components: activities (work, hobbies, social events, vacation, entertainment, clubs, community, shopping, sports), interests (family, home, job, community, recreation, fashion, food, media, achievements) and opinions (of oneself, social issues, politics, business, economics, education, products, future, culture).

Hunt S D (1991) proposed a values and lifestyle typology which is widely known as the VALS system [36]. The VALS typology is hierarchical and defines a basis system of four categories with nine more detailed segments within them. Drawn originally from Maslow, the following four categories in the original VALS double hierarchy (1) Need driven (survivors, sustainers) (2) outer directed (belongers, emulators, achievers) (3) inner directed (I am me, experiential, socially conscious) and (4) integrated.

A new version of the VALS system has been developed recently. The new structure (VALS2) is not hierarchical like the previous one but defined by two main dimensions: resources defined by income, education, self confidence, health, eagerness to buy, intelligence, etc and self orientation (principle oriented, self oriented and status oriented).

Surveys of the literature that general personality measures have a stronger relationship with patterns of behavior across product classes than with behaviors related to a single brand (Kotler P (2000); Gonzalez A M and Bello L (2002)) [37,38].

General lifestyle segmentation has the same limitations as general personality scales it is likely to identify factors that influence general behavioral patterns rather than any specific behavior toward a single brand. Kotler P (2000) and Gonzalez A M and Bello L (2002)
concluded that the predictive validity of lifestyle with respect to purchase behavior can be substantially better than that of general observable segmentation bases.

Personality, values and lifestyle provide a richer perspective of the market based on a more lifelike portrait of the consumer and therefore provide actionable bases that are especially useful for the development of advertising copy. Accessibility, responsiveness and stability are not unequivocally supported in the literature.

**Unobservable product specific bases:** This class of bases comprises product specific psychographics, product benefit perceptions and importances, brand attitudes, preferences and behavioral intentions. In that order those variables form a hierarchy of effects as each variable is influenced by those preceding it (Wilkie and Cohen 1977) [39]. Although many of the variables are used more often for consumer markets, most can and have been used for segmenting business markets.

Dhalla and Mahatoo (1976) identified three key areas of product specific psychographics: value orientations, role perceptions and buying style [40]. Consumer’s perceptions of brand attributes have been used as a basis for market segmentation since Yankelovich (1964) [41]. Segments identified from perceived product attributes are identifiable and substantial (Frank, Massy and Wind 1972) [12]. In general however purchase behavior toward a product will depend also on the importance consumers attach to each of those attributes (Fishbein and Ajzen 1975) [42]. Perceptual cognitive states are actionable in that they provide information on how to communicate to them. Little research has been done on the stability of perceptual segments but cognitive states are found to be much less stable than values (Wilkie and Cohen 1977) [39]. Consequently perceptual dimensions have low probity as segmentation bases from both theoretical and strategic points of view (Dhalla and Mahatoo 1976; Wilkie and Cohen 1977) [43, 39].

Elasticities are often seen as normative ideal bases for segmentation (Massy and Frank 1968; Sexton 1974; Dhalla and Mahatoo 1976) [12, 23,40]. Elasticity is defined here as the relative change in demand in response to a relative unit change in a marketing instrument. Massy (1968) however suggested the individual responses to marketing variables as the normative ideal. Elasticities cannot be observed directly but must be estimated. Most often
linear or logistic regressions are used for that purpose. A problem in the derivation of individual level elasticities is that the estimates may be unstable, because of the often limited amount of data available at the individual level.

Elrod and Winer (1982) examined the performance of alternative ideal bases with respect to profit maximization both theoretically and empirically [45]. Unfortunately the evidence revealed by their research is not conclusive in the sense that arguments supporting the use of one specific measure of demand as a normative ideal basis for the aggregation of consumers into segments have not yet emerged. However elasticities have over the years become the most commonly cited normative ideal bases for segmentation. Most studies evaluating the effectiveness of other segmentation bases have used elasticities as a benchmark. Note that elasticities capture one of the criteria for effective market segmentation the responsiveness criterion. Market segments that differ in elasticities differ in their response to marketing effort. In other words the normative ideal has focused on the responsiveness criterion for segmentation largely neglecting other criteria for effective segmentation.

The concept of benefit segmentation was introduced to the marketing literature by Haley (1968) and has since been applied in both consumer and business markets [46]. Haley argued that the benefits people seek in products are the basic reasons for the heterogeneity in their choice behavior and benefits are thus the most relevant bases for segmentation. Previously Yankelovich (1964) had mentioned the identification of differences in consumer benefits as the crucial issue in segmentation research [41]. Wind (1978) listed benefits as a preferred segmentation basis for general understanding of a market and for making decisions about positioning new product concepts, advertising and distribution because their action ability[47]. Whereas most authors have used importance weights as a basis in benefit segmentation a few suggest the use of ideal points obtained directly or inferred from multidimensional scaling. Benefit segments are potentially identifiable and substantial as demonstrated in several studies (Calantone and Sawyer 1978) [48]. Moderate differences among benefit segments in brand purchase behavior and strong differences in attitudes and buying intentions have also been demonstrated .In their study on the stability of benefit segments, Calantone and Sawyer (1978) demonstrated that benefit segments are consistent
across samples within a given time period of two years [48]. The segments benefit importances were stable in time, but segment size, demographics and segment memberships were not.

From a theoretical point of view buying intentions are the strongest correlates of buying behavior discussed so far (Fishbein and Ajzen 1975) [42]. Preferences were used as a basis for segmentation by Ginter (1987) [49] among others. Frank, Massy and Wind (1972) [50] reported that preferences and intentions may result in identifiable and substantial segments. Ginter (1987) related brand preference segments to attribute perceptions and AIO measures to make them accessible and actionable [49]. Responsiveness of the segments is indicated by evidence of the intention behavior relationship. Little is known about the stability of segments based on preferences or intentions but from a theoretical point of view they are expected to be more stable than segments based on purchase behavior itself.

1.1.3 Types of Market Segmentation in general

1. **Territory or Geographic Segmentation**: India can be divided into two distinct regions: rural markets and urban markets. Similarly, India market can be divided state-wise and each state may represent a segment. This type of segmentation is very commonly used in allocating the territories to the salesmen.

2. **Demographic segmentation**: Plummer and Joseph T (1974) says that customers are classified in homogeneous group under demographic similarities like age, sex, education level, income, etc [51]. It is believed that persons in the same age group can be approached by the same type of appeal and publicity media. Income level grouping may be useful as regards ability of the persons to purchase the offer product. Grouping on the sex basis plays an important part in such segmentation.

3. **Socio-psychology segmentation**: Different social classes have different spending behaviors patterns. Social classes have different aggressiveness, submissive, degree of cautions and venture sameness with value. These differences determine this type of segmentation.
4. **Need-oriented segmentation**: In it segmentation is done on the basis of needs or benefits a group seeks from the goods (Firat A F and Shultz C J, 1997; Dibb, Sally, and Simkin; Lyndon 1996) [52, 53].

5. **Volume segmentation**: It involves segmentation of marketing judging the event of use such as heavy, medium, light users and those who do not use the product at all. Volume segmentation may further be segmented on the demographic basis.

6. **Qualitative segmentation**: It emphasis is placed on repeat purchases by the buyers. This is just extension of the column segmentation. However, socio-economic characteristics cannot be correlated with heavy or light consumption.

7. **Product segmentation**: It is divided towards differences among the product that comprises markets; product segmentation is a less rational approach than market segmentation unless there are great differences among the products involved. Differentiated marketing helps the organization to market products to satisfy market demand and it is more proper to satisfy its customers’ needs.

8. **Life-style segmentation**: It emphasizes segmentation on the basis of the distinctive mode of living, the segments involving questions regarding how they spend their time, the nature of their interests and the basic characteristics like stages in the life cycle, income, education, etc (Bolton, Ruth N and Myers M B, 2003; Grover, Rajiv and Srinivasan V, 1987) [54, 55].

### 1.1.4 Techniques for Defining Market Segments

The most popular techniques used for defining market segments are: (1) Forward segmentation based on demographic, socio-economic and geographic variables; (2) Backward segmentation; (3) Benefit segmentation; (4) usage segmentation; (5) Physiographic segmentation; and (6) Lifestyle segmentation.

**Forward segmentation**: In it segmentation the demographic data (such as age, family, size, sex, religion, stage in life, etc.) and the socio-economic data (income, occupation, etc.) are used to reflect the purchasing power, expectations, and values of specific segments of population. Johnson R M (1971) says that different stages of life such as bachelor, married
with children and older couples with children living apart, etc., do affect the purchase of consumer goods. For example, while bachelors often purchase personal items as sport shirts, shoes, books, toilet preparations, etc.; Young married couples buy durable furniture, home appliances, cosmetics and perfumes, apparels, etc.; those with children need infants’ clothing’s, vitamin and toys for children; while older people or solitary couple purchase medicines, tonics, luxuries, products that aid sleep, health and digestion, vehicles, etc[56].

**Backward segmentation:** It is used to identify groups of consumers with a specific set of needs, dispositions and common experiences. According to Mazannee J (2000), here, consumer behavior is analyzed so that customers can be classified according to characteristics. Products having the same market can be displayed and advertised together in retail stores by the same media [57].

**Benefit segmentation:** It assumes that the benefits people seek in consuming a product are the basic reason for the existence of market segmentation. For example, the market for tooth paste has four segments, the decay-prevention segment, the bright teeth segment, the flavor segment, and the price segment.

**Usage segment:** It differentiates between those who are heavily users and those who use it occasionally or those who are light users or non-users. Usually, the behavior of consumers who are heavy users of a product and have strong brand loyalties is different from the behavior of light users or non-users who show little or no loyalty to a given brand (Strasser H, 2008; Myers J H, 1996) [58,59].

**Physiographic segmentation:** These are based on the idea that individual activities, interests and opinions can be measured. Physiographic studies place a heavy emphasis on personality traits. These are reserved/outgoing; dull/bright; humble/assertive; affected by feeling/emotionally stable; sober/happy-go-lucky; expedient/conscientious; shy/venturesome; tough-mined/tender-, imbed; trusting/suspicious; practical/imaginative; forthright/astute; self-assured/apprehensive; conservative/experimenting; group-dependent/self-sufficient; undisciplined self-conflict/controlled; and relaxed/tense.

**Lifestyle segmentation:** Lifestyle segmentation techniques tend to focus on broad, cultural trends or on the needs and values thought to be closely associated with consumer’s
behavior, measuring attitudes, interests, opinions, and attitudes (TerHofstede, Frankel J B, Steenkamp and Wedel M, 1999; Vanhove N, 1994) [60,61]. Lifestyle segmentation begins with people instead of products and classified different ways of living reflected in people’s activities interests and opinions. In the following table lifestyle dimensions are shown:

<table>
<thead>
<tr>
<th>Activities</th>
<th>Interests for</th>
<th>Opinions about</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work</td>
<td>Family</td>
<td>Themselves</td>
</tr>
<tr>
<td>Hobbies</td>
<td>Home</td>
<td>Social issues</td>
</tr>
<tr>
<td>Social events</td>
<td>Job</td>
<td>Politics</td>
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<tr>
<td>Vacations</td>
<td>Community</td>
<td>Business</td>
</tr>
<tr>
<td>Entertainment</td>
<td>Recreation</td>
<td>Economics</td>
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<tr>
<td>Club merchants</td>
<td>Fashion</td>
<td>Education</td>
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<tr>
<td>Community affairs</td>
<td>Food</td>
<td>Products</td>
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<tr>
<td>Shopping</td>
<td>Media</td>
<td>The Future</td>
</tr>
<tr>
<td>Sports</td>
<td>Achievements</td>
<td>Culture</td>
</tr>
</tbody>
</table>

**Table 1.1 Dimensions for Lifestyle segmentation**

Source: TerHofstede, Frankel J B, Steenkamp and Wedel M (1999), International Market Segmentation based on consumer product relations, Kogan Page, UK.

1.1.5 Degrees of segmentation

As segmentation of market is generally with the changing needs of the population, any one of the following kind of segmentation may be practiced by marketers:

1. **Partial market segmentation:** In it the entire market is divided along broad, categorical lines. For example, in the automobile market, one consumer may be looking for station wagon, or jeep, another may seek to buy a car run by diesel or a light vehicle like a scooter or Luna cycle. In such situations, some manufacturers market to each group separately (Raymond, B. Cartell, Herbert Weber and Maurice, M. Tatsuoks, 1970) [62].
2. **Extreme market segmentation**: It occurs when marketers tailor their product to the specialized needs of a selected few customers. This particularly occurs in luxury industries, or female garments such as when tailor prepares the dress according to the measurements of the lady concerned or the hosiery deals sell ‘bras’ or ‘panties’ only or the ladies toilet preparations.

3. **Market aggregation**: It is often practiced by a company that is production-oriented. The entire market is treated as a single homogeneous unit, whose parts are all uniform. Marketers develop one product and one marketing design to reach as many consumers as possible. It enables a company to maximize its productions on a large scale at low cost, and make its production economical. Example of such market is markets, suiting, refrigerators, radios, cycles, etc.

1.1.6 **Advantages of market segmentation for a firm**

Market segmentation strategy, if used properly, can benefit both the marketing organization and the consumers. According to Professor Dell and Professor Rosenberg, the following benefits accrue to the firms practicing market segmentation:

- **A more precise definition of Market**: Market segmentation improves the organization’s understanding of why consumers do or do not buy certain products or services. That is, the firm would be in a better position to spot and compare marketing opportunities. It helps in better targeting and positioning of the product.

- **A more effective marketing programme**: Understanding the consumers is the first step in the planning of an appropriate programme in meeting their needs (Driel, H. van and Dolfisma W, 2009; Edensor T, 2004) [63, 64]. Market segmentation helps in better understanding of the customers’ needs and wants. The detailed information gained from such segmentation helps in designing and implementing market programmers.

- **Better Assessment of the competition**: Market segmentation helps in correctly assessing the strengths and weaknesses of the competitors. Bonchev, I. (2008) says
that a study of the competitor’s products, prices and other policies should pave the way for successful exploitation of the soft-corners of the competitors [65].

- **Better Allocation of resources:** Once the target segment is clearly defined and identified, the limited resources at the command of the firm can be channeled for the best results.

- **Improved communication:** According to DeCicco J, Fung F (2006) good market segmentation encourages two-way communication among potential buyer and the organization [66].

- **Better Consumer Relationship:** Market segmentation helps in maintaining effective relationship with the customers.

- **Customer retention:** An effective marketing segmentation programme helps in retaining the existing customers and attracting new ones.

- **Improved service:** Proper market segmentation helps in improving service delivery standards

- **Cost-Cutting:** An effective market, segmentation strategy helps in reducing costs/ expenses on various marketing activities, and increases market share, thereby resulting in higher profits.

### 1.1.7 Alternative Strategies towards Market Segmentation

While market segmentation is an essential marketing tool, there are alternatives that can replace it. The following section gives the alternative strategies towards market segmentation.

- **Market Aggregation or Undifferentiated Marketing:** Market aggregation is the opposite of segmentation. Aggregation implies the policy of lumping together all the markets for the products into one. Mass production-oriented firms usually adopt the method of aggregation instead of segmentation. Under this concept, the management having only one product considers the entire buyers as one group.
Market aggregation enables an organization to maximize its economic or scale of production, pricing, physical distribution and promotion. However, the applicability of this concept in consumer-oriented market is doubtful (Fishbein M and Ajzen I, 1975; Beane T P and Ennis D M, 1987) [42, 67]. The total market concept as envisaged by market aggregation may not be realistic in the present day marketing, when consumer falls under homogeneous groups. In the total market concept economies of organizations do not permit the division of market into segments in the case of fully standardized product and where substitute are not available differentiation need not to be undertaken. Under such circumstances firms may adopt mass advertising and other mass methods in marketing.

• **Market Segmentation of Differentiated marketing:** Market segmentation is “the process of taking the total heterogeneous markets for a product and dividing it into several sub-markets or segments each of which tends to be heterogeneous in all significant.” Under this strategy, the firm groups the buyers on the basis of their needs, region, characteristics, personality or behavior. In other words, the classification of market based on computer’s characteristics is called market segmentation (Dhalla and Mahatoo, 1976; Adcock D, Bradfield R, Halborg A and Ross C, 1995) [40, 68]. For instance, instead of mentioning a single market for shoes, it may be segmented and differentiated into several sub-markets, e.g., shoes for children, ladies and gents and so on. Only the very similar lines, geographical segmentation is also possible for certain other products.

• Under this concept, a firm decides to operate in several or all segments of the market. It designs separate product-marketing programmers. This also helps developing intimacy between the producer and the consumer. Most forms now-a-days prefer to have a strategy of differentiated marketing because consumers’ demand is diversified. It provides an opportunity to the consumers to select their choice. Each kind of product offers a basis for segmentation. As the differentiated marketing is sales-oriented, it is a costly affair for the organization.

• **Concentrated marketing:** Both the concept of undifferentiated marketing and differentiated marketing imply the approach of total market. Hall E T and Hall M
(1990) says that another option is to have concentrated efforts in a few markets capable of opportunities. Instead of spreading itself in many parts of the market, it concentrates its forces to gain a good market position in a few areas [69]. This method is adopted when new products are introduced; here the advantage of one segment is never offset by the other because firm’s efforts are to concentrate only in one segment of the market. The below figure shows three kinds of segmentation given by Philip Kotler(1988) [70].

![Figure 1.3 Three Kinds of Segmentation](source: Kotler P (1988), Marketing management)

### 1.1.8 Bases for segmenting consumer markets

It is extremely difficult and costly to change preference and attitude towards products, as many firms have learned to their sorrow. If a major change is required to sell a product, it probably should not be attempted by the very small firm. Therefore the first step in consumer market research is to attempt to determine from basic needs of people, current needs (conscious or subconscious) and trends. The market researchers must then try in some way to estimate the total number of people who form the market for the product, and how the potential customers view products similar to those being explored and then finally segment a market for the product.
Marketers can be segmented using a single variable, such as age group, or several variables, such as age group, gender, and education. Although it is a less precise, single-variable segmentation has the advantage of being simpler and easier to use than multiple-variable segmentation. The disadvantages of multiple-variable segmentation are that it is often harder to use than single-variable segmentation; usable secondary data are less likely to be available; and as the number of segmentation bases increases, the size of individual segments decreases. Nevertheless, the current trends are towards using more rather than fewer variables to segment most markets. Multiple-variable segmentation is clearly more precise than single-variable segmentation.

The market segmentation is mentioned as being one of the key elements of modern marketing and is, as mentioned, the process of dividing the market into several groups and/or segment(s) based on factors such as demographic, geographic, psychological and behavioural factors. By doing so the marketers will have a better understanding of their target audience and thereby make their marketing more effective (Gunter and Furnham, 1992) [71]. This is due to the fact that by using the analytical process that puts customers first, the marketer will get more satisfied emerge from groups of consumers with shared preferences.

Market segments can be characterized in different ways on way is to characterize the preferences of the target customers; homogeneous preferences, referring to customers that roughly have the same preferences. Secondly there are diffused preferences which mean that the customers vary in their preferences and finally clustered preferences which mean that the natural market segments customers and thereby gain a great advantage over competitors (Dibb and Simkin, 1996) [72].

When talking about market segmentation it is necessary to briefly mention the three areas of marketing which is to be taken into consideration when market a product. The first area is mass marketing. It covers the area of mass producing, mass distributes and mass promotes on product to all buyers (Gunter and Furnham, 1992) [71]. However, marketers have realized the great variety in each individual customer and therefore the market
segmentation is a helpful tool for the marketers to customize their marketing programmes for each individual customer (Dibb and Simkin, 1996) [72].

The second area is product differentiated marketing. The marketer produces two or more products that display different features, styles, quality, sizes etc.1

The third, and dominating, area is target marketing. The marketer distinguishes among a variety of market segments, chooses one or more of the segments and then develops products and marketing mixes customised to each segment (Gunter and Furnham, 1992) [71].

In the following the variables used in segmenting consumer markets will be explained. There are various variables to define market segments; however it is only the demographics, geographic, psychographics and behavioural segmentation that will be dealt with.

1.1.8.1 Geographical Segmentation

Monle Lee (2005, pp 234) says that geographic segmentation refers to segmenting marketers by region of a country or the world, market size, market density, or climate. Market density means the number of people within a unit of land, such as a census tract. Climate is commonly used for geographical segmentation because of its dramatic impact on residents’ needs and purchasing behavior. Snow blowers, water and snow skis, clothing’s, and air-conditionings and heating systems are products with varying appeal, depending on climate [73].

Consumer’s goods companies take a regional approach to marketing for four reasons. First, many firm need to find new ways to generate sales because of sluggish and intensely competitive marketers. Second, computerized checkout stations with scanners give retailers an accurate assessment of which brands sell best in their region. Third, many packaged-goods manufacturers are introducing new regional brands intended to appeal to local preferences. Fourth, a more regional approach allows consumer goods companies to react more quickly to competition.
The geographic segmentation divides customers into segments based on geographical areas such as nations, states, regions, counties, cities or neighbourhoods. A company can target one or more areas and must be aware of the fact that data according to geographic segmentation may vary due to population shift.

It is important to segment according to geographic, due to the fact that the purchasing behavior of the customers are influenced on where they live, work etc. (Gunter and Furnham, 1992) [71]. Therefore many companies customize their products, advertising, promotion and sales efforts to fit the needs of the geographical variables (Armstrong and Kotler, 2001) [74].

The geographic segmentation is furthermore useful when there are differences in a location where a product is marketed. The differences can be caused by cultural factors, traditions, politics etc. and furthermore the differences can be significant in one segment, whereas in other segments the differences can be minor and less significant. (Gunter and Furnham, 1992) [71]

Furthermore as a result of an increase in the globalisation today the geographic segmentation has been linked to other differences in socio-economic and demographic characteristics. The result of this type of segmentation is referred to as geodemographics (Gunter and Furnham, 1992) [71]. The geodemographic segmentation combines the geographic segmentation with the demographic segmentation and thereby combines the study of the target customers with where they live. Hence the geodemographic classifies the customers according to where they live in comparison to the way the social class defines consumers by their occupation and thereby the companies are more capable of predicting consumer behaviour (Gunter and Furnham, 1992) [71].

1.1.8.2 Demographic Segmentation

The demographic segmentation divides customers into segments based on demographic values such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, social class and nationality (Armstrong and Kotler, 2001) [74].
The demographic segmentation is often used in market segmentation for the reason that the variables are easy to identify and measure. Furthermore the demographic variables are associated with sale of many products and services and finally they provide a description of the target customers so media buyers and others can target a desired target market. Each of the variable are useful knowledge when segmenting markets and some of the above mentioned variables will be elaborated in the following (Gunter and Furnham, 1992) [71].

1.1.8.2.1 Age and life-cycle segmentation

The consumer’s needs and wants change with age. Therefore some companies use age and life-cycle segmentation, where age and the life-cycle determine the marketing approach. Using telephones (landline and mobile) as an example the marketers must take into consideration that although some 70-years-old use a landline telephone, e.g. due to the lack of technological knowledge, others may only use a mobile telephone. Thus, marketers using the age and life-cycle segmentation must be careful to guard against stereotypes. (Armstrong and Kotler, 2001) [74]. Furthermore the age and life-cycle segmentation are associated with behavioural characteristics and buying patterns. An example of this is single people who have a tendency of purchasing new fashionable items due to the fact that they have no other economic obligations. This is opposed to married people, who have a large economic obligation and thereby they prioritize their economy different (Gunter and Furnham, 1992) [71].

1.1.8.2.2 Gender segmentation

Gender segmentation is used to differentiate the needs and wants between men and women due to the fact that men and women have different attitudes toward a product. The gender segmentation has long been applied in connection with clothing, hairstyling, cosmetics and magazines. Furthermore it must be taken into consideration that metro sexuality has become a common gender-factor and thus the marketers must not only define a product as
being masculine or feminine (Kotler, 2009) [70].

1.1.8.2.3 **Income segmentation**

Income segmentation divides the market into different income groups. It is used in automobiles, clothing, cosmetics, financial services and travel. Many companies within the mentioned categories seek to target the high-income customers. Others seek to target the customers with a lower income in order to gain consumer loyalty and lessen the competitive pressures. However, companies must consider the fact that the income does not always predict the most suitable customers for a given product due to the fact that some customers may have other preferences and prioritize their money different (Kotler, 2009) [70].

1.1.8.2.4 **Generation segmentation**

Each generation is influenced by the times in which they grow up i.e. the music, the movies, politics and other significant events characteristic of that period. Marketers therefore market to a generation by using icons and images that is relatable according to the generation (Kotler, 2009) [70].

1.1.8.2.5 **Social Class segmentation**

Social class segmentation divides the customers according to their preferences in cars, clothing, home furnishings, leisure activities, reading habits and retailers. However, although the tastes of social classes’ changes, many companies design products for specific social classes (Kotler 2009) [71].

In conclusion, the demographic, and the abovementioned variables’, approach to market segmentation assumes that since people can be grouped into certain types of categories (i.e. age, income, education etc.) they are likely to share the same values and buying behaviour.
1.1.8.3 Psychographic segmentation

The psychological variables derive from two principal types of customer: personality profiles and lifestyle profiles (psychographics). Psychological profiles are often used as a supplement to geographic and demographics when these does not provide a sufficient view of the customer behaviour. While the traditional geographical and demographical bases (sex, age, income etc.) provide the marketer with accessibility to customer segments, the psychological variables provide additional information about these and enhance the understanding of the behaviour of present and potential target markets (Gunter and Furnham, 1992) [71].

Psychographic segmentation therefore divides people according to their attitudes, values, lifestyles, interests and opinions. Furthermore some marketers have used personality variables to segment the markets, for example the landline telephone is ‘outdated’ and a commercial could appear to target elder people whereas the actual purpose is that the commercial is aimed at a much broader personality group (Armstrong and Kotler, 2001) [74].

1.1.8.4 Behavioral segmentation

Behavioral segmentation is based on the customers’ attitude toward, use of, or response to a product. Many marketers believe that the behavioral variables such as occasions, benefits, user status, usage rate, buyer-readiness stage, loyalty status and attitude are the best starting points for constructing market segments and thus these variables will be described further in the following (Kotler, 2009) [70].

1.1.8.4.1 Occasions

Occasions are when the customers are divided into segments based on the time of day, week, month and year (Kotler, 2009) [70]. People is therefore being grouped according to
the time (occasions) on which they get the idea to buy, make their purchase or use the purchased item (Armstrong and Kotler, 2001) [74]. This can for example be during the time around holidays such as Christmas. A company may choose one kind of marketing strategy around Christmas and another at Valentine’s Day in February and thus being able to target as many desired target customers as possible.

1.1.8.4.2 Benefits

Benefit segmentation divides the customers according to the different benefits they may seek from a product. Benefit segmentation seeks to find the benefits people look for in a certain product, the kinds of people who look for each benefit and the brands that deliver each benefit (Armstrong and Kotler, 2001) [74]. Furthermore the benefit segmentation identifies market segments by casual factors rather than descriptive factors such as e.g. demographics.

1.1.8.4.3 User status

By segmenting according to nonusers, ex-users, potential users, first-time users and regular users of a product a company can customize its marketing for each group (Armstrong and Kotler, 2001) [74]. Where regular users of a certain product request one kind of marketing approach, potential users may request another kind of marketing approach, and thus it is necessary to divide the customers into different segments and target them in different ways.

1.1.8.4.4 Usage rate

The usage rate segmentation divides the customers according to how much they use a product. They are divided into groups of non-users, light, medium and heavy product users and companies often seek to target one heavy user rather than several light users (Armstrong and Kotler, 2001) [74]. This is due to the fact that the heavy users constitute a small percentage of the market but account for a high percentage of the total buying
(Gunter and Furnham, 1992) [71]. Thus a company should seek to adapt their marketing strategy according to these customers. However, it should be mentioned that it is of certain importance not to exclude the non-users, light users and medium users due to the fact that these users may provide a positive prospect for future expansions. Finally the usage rate divides the customers in terms of time and place i.e. a company may sell one product at one part of the day, month, year and another product another time of the day, month, and year as is the similar case when using occasion segmentation.

1.1.8.4.5 Buyer-Readiness stage

Buyer-readiness stage refers to people’s awareness and interest of the product. Some people are unaware of the product, some are aware, some are informed, some are interested, some desire the product and some intend to buy (Kotler, 2009) [74]. The purpose is to lead the customer along so he or she will purchase the product in the end. Thus the company should seek to design their marketing strategy according to these factors. For example, people from the USA may have limited knowledge about a product from the UK. So in order for the product to be successful in the USA, the company should adapt their marketing strategy according to the limited knowledge an American may have.

1.1.8.4.6 Loyalty status

A market can also be segmented according to the loyalty of the customers. It is assumed that customers are always loyal by buying the same product. These customers are referred to as hard-core loyals. Other people that are loyal toward two or three brands and buy these on a random basis are referred to as being split loyals. A third group of people are those who shift from one brand to another and staying with that brand for a period of time until they shift to another brand. These customers are referred to as shifting loyals. The fourth and final group of loyals are those who do not show loyalty or preference towards one particular brand, but rather buy a product or brand that is on sale or available at the time of the occasion. These customers are referred to
1.1.8.4.7 Attitude

As a final variable to the behavioural segmentation is attitude toward a product. People can be divided into segments based on whether they have an enthusiastic, positive, indifferent, negative or hostile attitude toward a product.

By considering the customers’ attitudes toward a brand or product the company will get a wide-ranging view of the market and its segments (Kotler, 2009) [74].

By combining the different behavioural variables, it is possible for marketers to get a view of a market and its segments and thereby the marketer can enhance its targeting strategies (Kotler, 2009) [74].

In conclusion to the section of defining the target audience it is important for the marketer to recognise the fact that it is not impossible to reach all buyers in all segments. This is due to the fact that the customers are too different and have various needs and purchasing behaviours. The company need to consider the variables of the concepts within market segmentation i.e. the demographic segmentation, the geographic segmentation, the psychographic segmentation and the behavioural segmentation. Considering these concepts, it should be possible to decide which concepts are best suited when designing market strategies for respectively the mobile telephone and the landline telephone. On the basis of the abovementioned section it can be argued that the demographic and behavioural segmentation are the most important ones when designing market strategies of a telephone. This is due to the fact that a telephone company should consider, amongst others, the ages of their target customers in order to communicate their message accurately. Furthermore the attitudes, amongst others behavioural variables, toward the product, in this case being a landline telephone and/or a mobile telephone, are important to realize in order for the company to design an appropriate market strategy. When a company has defined the target customers the next stage in the segmentation process is to evaluate the market segments and then decide which segments to direct their marketing strategies at.

In the following, some aspects of the second stage of the segmentation process, market targeting, will be explained further.
1.1.9 Criteria for Segmentation of Consumer Products

There are several segmentation criterions based on which market segmentation is done for industrial as well as consumer products. Cundiff and still (1988) has mentioned the following criteria for market segmentation [75], Let us discuss them in detail:

<table>
<thead>
<tr>
<th>Basis for consumer products</th>
<th>Basis for industrial product</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Age of consumer.</td>
<td>2. Usual purchasing procedure</td>
</tr>
<tr>
<td>3. Sex of the consumer</td>
<td>3. Size of user</td>
</tr>
<tr>
<td>4. Degree of urbanization of the consumer</td>
<td>4. Geographical market segmentation</td>
</tr>
<tr>
<td>5. Geographical market segmentation</td>
<td></td>
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<tr>
<td>6. Education attainment of the consumer</td>
<td></td>
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<tr>
<td>7. Religion of the consumer.</td>
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Table 1.2 Criteria for consumer and industrial market segmentation


The various criteria for segmenting the consumer products markets may be grouped in the following four categories Socio-economic Factors, Geographical Factors, Personality Factors and Consumer behavior Factors

i. Socio-economic factors: The most common way of segmenting the markets is on the basis of socio-economic characteristics of the consumers dispersed over a geographical segment. Such factors are the following:

- Age: The producer should know for what age group his product would be most suited so that he can plan his pricing policy, advertisement policy, marketing policy and strategy accordingly (Boejgaard J and Ellegaard C,
For example, some breakfast products are aimed to suit the tastes of children’s while some others are attractive to consumers within broader range of ages. Similarly, cloth market may be segmented on this basis.

- **Sex**: Markets may be divided on the basis of sex, i.e., ladies and gents. Some products are exclusively produced for women while some others are for men. For example, lipstick is meant for women while saving cream is only for men. According to Stanton W J (1978) as the attitude, needs, mental and physical attributes and motivational factors are different in men and women, therefore, advertisement strategy may differ for both types of products [77]. Mainly desires, personality, sense of family security, and social prestige are some of the factors which are given top priority in an advertisement for a product meant exclusively for men. On the other hand, beauty and purchasing ability are some factors for advertising a product meant for women.

- **Income**: The producer should also bear in mind the income of the prospective buyers of his product. This factor also affects the advertising and distribution policy, i.e., media of advertising and pricing policy. Rosenberg L J (1977) says that the consumers’ needs, behavior, preferences, persuasion, etc., differ among income groups [78]. For example, as people in high income group prefer quality of goods, design, fashion-oriented products, etc., they can be motivated on these factors. Certain items like refrigerators, video cassette recorder (VCR) are produced only for high income group people. People in low income group are attractive towards low price. Different models of television sets are introduced to meet the needs of buyers of different income groups.

- **Educational level**: The consumer can be divided on the basis of education level such as educated, semi-educated, and uneducated. The marketing activities and strategies are ascertained accordingly. For example, a book market may be segmented on this basis in primary, Junior High School, High school, Intermediate, and degree books markets (Haley R I, 1969;
Dibb, Sally and Lyndon S, 2008; Dickson, Peter T, Ginter and James L, 1987) [80,81]. Advertising policy may be chosen accordingly. Products used by uneducated or low-educated people, may be advertised through Radio, Television and cinema whereas the advertisement for educated people may be given in newspaper, journals and magazines, etc.

- **Race and religion**: In India there is co-existence of many religions communities, castes and sub-castes and the market may also be segmented on this basis because their feeling, lifestyle and attitudes differ depending on their origin and communal associations. Brand, design, languages on packing and packing decisions may differ for a product meant for different regions. For example, utensils or book market may be divided on religion basis.

- **Size of Family**: Market may also be segmented on the basis of size of family. Refrigerators and cooked are produced in different sizes to suit needs of families of different sizes.

ii. **Geographical Factors**: The markets are divided on the basis of geographical factors, such as area, climate and the density of population (Engel, Fiorillo H F and Cayley M A, 1972; Evans M, 1999) [82, 83]. According to area, states may be taken the basis for segmentation. Each state may be recognized as a separate market. The area may further be segmented in rural, town, and urban areas or where market is international the division may be national or international market. On the basis of climate, markets may be hill areas and plain areas. Such type of segmentation is best where the customers are stretched over a vast area and the production is done on large scale. The producer may design his marketing strategies taking the characteristics of the individual markets into consideration.

iii. **Psychographic or personality factors**: These are not the same in all the consumers. Some customers are crazy for novel design or products of new fashion that may increase their prestige in the society. The motto of some other customers is simple living and high thinking and they never aspire for showy items Mitchell V
W and Haggett S, 1997; Wind Y, 1978) [84, 85]. For example, Sarvodaya workers wear Khadi irrespective of their income level or social status.

iv. **Consumer Behavior Factors**: Consumer behavior divides the markets on three bases:

- **Usage habits**: This includes none—users, light-users, medium-users and heavy-users, etc. Non-users may also be divided in expected and unexpected users.

- **Buyer’s motives**: These include factors like economics, quality of goods, reliability and prestige in society, etc. Several groups may be formed on these bases and the markets may be segmented accordingly.

- **Brand Loyalty**: Customers may also be grouped according to their loyalty to a particular brand. If, suppose, four brand of a commodity are in the market, customers may be grouped in four classes on the basis of their preference of a particular brand.

- **Criteria for Industrial Product**: The industrial market is as large the consumer market (Tynan A C and Drayton J, 1987; Moorthy K, 1992) [86, 87]. It is also made up of different market segments, appropriate for industrial products. Following criteria are used for segmentation the industrial market:

  - **Kind of Business or activity**: This is generally used where an industrial house produces several products or services. For example, insurance company's market may be segmented in fire, marine, general and life insurance businesses. According to Moorthy, K. S. (1984) a separate division may be formed for each segment representing a specific kind of activity [88]. This may be broke down in procurement division and lending division.

  - **Usual Purchasing procedure**: Industrial buyers are generally more systematic buyers than are ultimate consumers. But among industrials users
there is much variation in the amount of consideration given to buying different items. According to Yankelovich (1964) the decision to buy a major installation requires extensive market and other technical investigations plus the approval of several high executives and technical experts in the industrial users’ organization. But the same firm may purchase some routines articles like stationery or panels, etc [41]. Through ordinary suppliers and agents, the industrial marketers must apply different selling tactics and strategies to each of this buying situation.

- **Geographical Location of the user**: Factor like variation in geography, climate and historical traditions cause considerable variation in the ways industrial marketing is conducted in different areas. The topography of an area affects the transportation cost. Variation in climate affects the needs of the industrial users for building materials, and heating and cooling equipment’s (Calantone and Sawyer, 1978) [48]. Geographical segmentations may also exist, because some kinds of business and service organizations seem to settle in particular areas.

- **Sizes of user**: Sizes of industrial purchases vary according to the size of industrial user. According to size, the market may be divided in large buyers and small buyers. As it is generally more economical, to sell in large groups than small, the industrial markets quote lower rates to buyers of large quantities. This is often the main reasons why marketers use different methods for industrial users who vary greatly in size.

1.1.10 Bases for Business Market Segmentation

Business market can be segmented on the bases consumer market variables but because of many inherent differences like

- Businesses are few but purchase in bulk
• Evaluate in depth
• Joint decisions are made

Business market might be segmented on the bases of following variables:

- **Company Size**: what company sizes should we serve?
- **Industry**: Which industry to serve?
- **Purchasing approaches**: Purchasing-function organization, Nature of existing relationships, purchase policies and criteria.
- **Product usage**
- **Situational factors**: seasonal trend, urgency: should serve companies needing quick order deliver, Order: focus on large orders or small.
- **Geographic**: Regional industrial growth rate, Customer concentration, and international macroeconomic factors.

1.1.11 Market Segmentation and value opportunities

According to Abdul Hamid Mar Iman (2002) market segmentation is the process of placing the buyers in a product-market into subgroups so that the members of each segment displays responsiveness to particular positioning strategy [89]. Buyer similarities are indicated by the amount and frequency of purchase, loyalty to a particular brand, how the product is used, and other measures of responsiveness. Segmentation is an identification process aimed at finding subgroup of buyers within a total market. The opportunities for segmentation occurs when difference in buyers’ demand (response) functions allow market demand to be divided in to segments, each with a district demand function. The term “market niche” is sometimes used to refer to a market segment that represents a relatively small portion of the buyers in the total market. We consider a niche and a segment to be the same.

Johan Botha (1999) says that segmentation identifies customer groups within a product product-market, each containing buyers with similar value requirements concerning specific product/ brand attributes [90]. A segment is a possible market targeted for an
organization competing in the market. Segmentation offers a company an opportunity to better match its products and capabilities to buyers’ value requirements. Customer satisfaction can be improved by providing a value offering that matches the value proposition considered important by the buyer in a segment.

Market segmentation lays the groundwork for market targeting and positioning strategies. The skill and insight used in segmenting a product-market may give a company important competitive advantages by identifying buyers groups that will respond favorably to the firm’s marketing efforts.

1.1.12 Selecting the market to be segmented

Market segmentation may occur at any of the products-market levels shown in the following figure. Generic level segmentation is illustrated by segmenting buyers based on shopper types (e.g., Limited shopping time). Product-type segmentation is shown by the differences in price, quality, and features of shaving equipment. Product-variant segmentation considers the segments with in a category such as electric razor.

In contemporary markets, boundaries and definition can change rapidly, underlying the strategic importance of market definition and selection, and the need for frequent reevaluation.

1.1.13 Market Segmentation Activities and Decisions

According to Young F C (2008) the process of segmenting a market involves several interrelated activities and decision beginning with defining the market to be segmented [91]. It is necessary to decide how to segment the market, which involves selecting the variables to use as the basis for identifying segments. For example, frequency of use of a product (e.g., frequent, moderate, and occasional) may be a possible basis for segmentation. Next, the method of forming segments is decided. This may consist of managers using
judgment and experience to divide the market into segments as illustrated by the Atlas Air example. Alternatively, segments may be formed using tactical analysis. The availability of customer purchase behavior information in CRM systems, for example, provides a growing base for this analysis. Part of forming segments is deciding whether finer (smaller) segments should be used. Finally, strategic analysis is conducted on each segment to assist management in deciding which segment(s) to target.

1.1.14 Creating new market space

David L. Loudon (2005) says that importantly, market analysis may identify segments not recognized or served effectively by competitors [92]. There may be opportunities to tap into new areas of value and create a unique space in the market. For example, in France Accor has established the highly successful Formula 1 Hotel chain by building a new market segment in between the traditional strategic groups in the hotel market. Traditional one-star hotels offer low prices, while two-star hotels offer more amenities and charge higher prices. Accor’s analysis of customer needs found that customers choose the one-star hotel because it is cheaper, but trade up from the one-star hotel to the two-star hotel for the “sleeping environment” – clean, quiet rooms with more comfortable beds—not all the other amenities that are offered. Formula 1 provides the superior “sleeping environment” of the two-star hotel, but not the other facilities, which allows it to offer this at the price of the one-star hotel. By 1999, Formula 1 had built a market share larger than the sum of those of the next five largest competitors.

1.1.15 Matching values Opportunities and Capabilities

According to Anderson (2004) customer value requirement can often be better satisfied within a segment, compared to the total market [93]. Consider, for example, Alas Air Inc., a transportation company that offers outsourcing freight services for global air carriers. Launched in 1992, the founder identified an emerging customer need because carriers were
replacing older aircraft with fuel efficient planes having half the cargo space of hose being replaced. Atlas customers include British Airways, China Airlines, KLM, Lufthansa, Swissair, and SAS, all attracted by low cost and reliable services. Atlas carries flowers and shoes from Amsterdam to Singapore for KLM and fish, cattle, and horses from Taipei to Europe for China Air.

Robert A Pitts (2006) says that while broad competitive comparison can be made for an entire product-market penetrating insights about competitive advantage and market opportunity result from market segment analyses [94]. Examination specific market segments helps to identify how to

- Attain a closer match between buyers’ value preferences and the organization’s capabilities, and
- Compare the organization’s strengths (and weakness) to the key competitors in each segment.

1.1.16 The emergence of segmentation

Market segmentation is an essential element of marketing in industrialized countries. Goods can no longer be produced and sold without considering customer needs and recognizing the heterogeneity of those needs. Earlier in this century, industrial development in various sectors of the economy induced strategies of mass production and marketing. Those strategies were manufacturing oriented, focusing on reduction of production costs rather than satisfaction of consumers. But as production processes became more flexible and consumer affluence led to the diversification of demand, firms that identified the specific needs of groups of consumers were able to develop the right offer for one or more submarkets and thus obtained a competitive advantage. As market oriented thought evolved within firms the concept of market segmentation emerged. Since its introduction by (Smith, 1956; Cahill, 1977) [95, 96], market segmentation has become a central concept in both marketing theory and practice. Smith recognized the existence of heterogeneity in the demand of goods and services based on the economic theory of imperfect competition. He
stated: “Market segmentation involves viewing a heterogeneous markets as a number of smaller homogeneous markets in response to differing preferences, attributable to the desires of consumers for more precise satisfaction of their varying wants.”

Many definitions of market segmentation have been proposed since but in our view the original definition proposed by Smith has retained its value. Smith recognizes that segments are directly derived from the heterogeneity of customer wants. He also emphasizes that market segments arise from manager’s conceptualization of a structured and partitioned market rather than the empirical partitioning of the market on the basis of collected data on consumer characteristics. Smith’s concepts led to segmentation research that partitioned markets into homogeneous sub markets in terms of customer demand (Maclaran P, 2009; Baker M J, 2000; Baisya R K, 2008) [97, 98,99], resulting in the identification of groups of consumers that respond similarly to the marketing mix. That view of segmentation reflects a market orientation rather than a product orientation where the markets are partitioned on the basis of the products being produced regardless of consumer needs. Such customer orientation is essential if segmentation is to be used as one of the building blocks of effective marketing planning.

The question of whether groups of customers can be identified as segments in real markets is an empirical one. However even if a market can be partitioned into homogeneous segments market segmentation will be useful only if the effectiveness, efficiency and manageability of marketing activity are influenced substantially by discerning separate homogeneous groups of customers.

Cahill D J (2006) says that recent changes in the market environment present new challenges and opportunities for market segmentation [96]. For example, new developments in information technology provide marketers with much richer information on customer’s actual behavior and with more direct access to individual customers via database marketing and geo demographic segmentation. Consequently marketers are now sharpening their focus on smaller segments with micro marketing and direct marketing approaches. On the other hand the increasing globalization of most product markets is leading many multi product manufacturers to look at global markets that cut across
geographic boundaries. Those developments have lead to rethinking of the segmentation concept.

Six criteria such as identifiability, substantiality, accessibility, stability, and responsiveness and action ability have been frequently put forward as determining the effectiveness and profitability of marketing strategies (Loudon and Della Bitta, 1984; Baker, 1988; Kotler, 1988) [100,101,102].

i. **Identifiability**: Identifiability is the extent to which the managers can recognize distinct groups of customers in the market place by using specific segmentation bases. They should be able to identify the customers in each segment on the basis of variables that are easily measured.

ii. **Substantiality**: According to Lamb C W (2008) the substantiality criterion is satisfied if the targeted segments represent a large enough portion of the market to ensure the profitability of targeted marketing programs [103]. Obviously sustainability is closely connected to the marketing goals and cost structure of the firm in question. As modern concepts such as micro markets and mass customization become more prevalent, profitable segments become smaller because of the lower marginal marketing costs. In the limit the criterion of substantiality may be applied to each individual customer; that is the basic philosophy of direct marketing, where the purpose is to target each individual customer who produces marginal revenues that are greater than marginal costs for the firm.

iii. **Accessibility**: Accessibility is the degree to which the managers are able to reach the targeted segments through promotional or distributional efforts. Accessibility depends largely on the availability and accuracy of secondary data on media profiles and distributional coverage according to specific variables such as gender, region, and socioeconomic status and so on. Again with the emergence and increasing sophistication of direct marketing techniques individual customers can be targeted in many markets.

iv. **Responsiveness**: If segments respond uniquely to marketing efforts targeting at them they satisfy the responsiveness criterion. Responsiveness is critical for any
market segmentation strategy because differentiated marketing mixes will be effective only if each segment is homogenous and unique in its response to them. It is not sufficient for segments to respond to price changes and advertising campaigns they should do so differently from each other for purposes of price discrimination.

v. **Stability:** McDonald and Dunbar, 1995 says that only segments that are stable in time can provide the underlying basis for the development of a successful marketing strategy [104]. If the segments to which a certain marketing effort is targeted change their composition or behavior during its implementation the effort is very likely not to succeed. Therefore stability is necessary at least for a period long enough for identification of the segments implementation of the segmented marketing strategy and the strategy to produce results.

vi. **Actionability:** Segments are actionable if their identification provides guidance for decisions on the effective specification of marketing instruments. This criterion differs from the responsiveness which states only that segments should react uniquely. Here the focus is on whether the customers in the segment and the marketing mix necessary to satisfy their needs are consistent with the goals and core competencies of the firm. Procedures that can be used to evaluate the attractiveness of segments to the managers of a specific firm involve such methods as standard portfolio analysis which basically contrasts summary measures of segment attractiveness with company competitiveness for each of the segments of potential interest.

The development of segmented marketing strategies depends on current market structure as perceived by the firm’s managers. The perception of market structure is formed on the basis of segmentation research (Johnson, 1971; Dibb S and Simkin L, 1996) [56, 72]. It is important to note that segments need not be physical entities that naturally occur in marketplace but are defined by researchers and managers to improve their ability to best serve their customers. in other words market segmentation is a theoretical marketing concept involving artificial groupings of consumers constructed to help managers design and target their strategies. Therefore the identification of market segments and their elements is highly dependent on the bases and methods used to define them. The selection
of appropriate segmentation bases and methods is crucial with respect to the number and type of segments that are identified in segmentation research as well as to their usefulness to the firm. The choice of segmentation base follows directly from the purpose of the study and the market in question (Frank, Massy and Wind (1972) [12]. The choice of different bases may lead to different segments being revealed much the same holds also for the application of different segmentation methods. Furthermore the choices of methods and bases are not independent. The segmentation method will need to be chosen on the basis of the specific purposes of the segmentation study and the properties of the segmentation bases selected.

Many people today believe that market segmentation is the key strategic concept in marketing. However the basic idea behind segmentation has been around since the beginning of trade. It was only in the 1950s however that this idea was finalized by academicians and pursued earnestly by large numbers of business firms and other types of organizations (Kamakura W A and Mazzon J A, 1991) [31].

The late Wendell Smith proposed the concept of market segmentation more than forty years ago. In his classic 1956 article, “Product differentiation and market segmentation as alternative marketing strategies,” Smith recognized that product differentiation and market segmentation as alternative marketing strategies smith recognized that product differentiation and market segmentation are distinct strategic alternatives.

Smith voiced several positions in this article never stated before. Notably, he rejected the classical economic theory of perfect competition and in particular its assumptions of unvarying supply and demand.

Segmentation is based on the development on the demand side of the market and represents rational and more precise adjustment of product and marketing effort to consumer or user requirements (Dibb S and Simkin L, 1997; Dibb S and Simkin L P, Pride W and Ferrel O C, 2005) [30,27]. In the language of the economist segmentation is exaggerative in its effects and lends to bring about recognition of several demand schedules where only one was recognized before.
Smith W R (1956) also noted that product differentiation and segmentation have some similarities both lead to different sets products from given manufacture [95]. However they differ in a fundamental way market segmentation is focused on consumer needs in a differentiation strategy the company would try to make something for everybody without in depth stud of any particular group within the market companies took a local view of the marketplace and then tried to make a variety of things today transit companies frequently use a differentiation strategy ,thinking they are using market segmentation ,offering different levels and types of bus service-fixed route, direct service ,express service ,neighborhood service with variable routing – in a single market exemplifies a differentiation strategy .many of these services have been offered without a clear understating of the needs of the riders and the community for which the service has been developed .the records of accomplishment of these efforts shows that while some services have achieved moderate success, others have failed miserably ,attracting little or no ridership.

Smith compared product differentiation strategies to trying to take a layer of the marketing cake – cutting across all aspects of the market – and segmentation to taking a slice –by cutting vertically – into one area of the market place .Smith went on to identify the potential benefits of this focus compared with that of product differentiation. Finally smith was the first to state that segmentation works more efficiently than a strategy of simply producing as many products possible.

Creating different products only becomes effective following segmentation. The truly successful company must first find segments and then create products and services fifing their needs. Perhaps as much as anything is smith s article this idea of a market or customer orientation and necessity for market segmentation as a comer tone of this orientation heralded a new approach to consumers and markets.

Early segmentation efforts were largely intuitive and pragmatic based on experience in the marketplace. This experience was sometimes supplemented by basic customer survey research to learn more about the demographics usage habits and attitudes of users of a specific product or service (Stern P and Wensley R, 2002; Firat A F and Shultz C J, 1997) [24, 26]. While many companies and organizations continue to operate in this manner and
believe they are using market segmentation there have been considerable advances in the field of market segmentation in recent years. In these advanced years, the potential applications of these advances to the transit industry will increase ridership.

1.1.17 Market segmentation today

Today the terms market segment and market segmentation are usually used to mean a subdivision and a system for subdividing respectively a market by customer types the basic proposition of market segmentation is that most probably all markets are not monistic but instead consist of submarkets that are relatively homogeneous in terms of certain essential characteristics (Cardozo R and Wind Y, 1974; Schwartz M and Mizruchi S M, 1992) [32,33]. These submarkets are market segments. A more formal definition of a market segment follows.

Market segmentation is the identification of groups of customers or market segments that have similarities in needs who are likely to exhibit similar purchase behavior and/or responses to changes in the marketing mix. There are several important elements to these definitions. First to be meaningful, a market segment must have some characteristics that are common to members of a segment and equally important, that differ from the characteristics of other segments. According to Hunt S D (1991) segment members might vary on a number of characteristics, including demographic characteristics, geographical region, lifestyle, usage patterns, attitudes, and behavioral factors [36]. Similarities in characteristics of similarities in needs that are likely to exhibit similar purchase behavior and or responses to changes in the marketing mix.

There are several important elements to those definitions. First to be meaningful a market segment must have some characteristics that are common to members of a segment and equally important that differ from the characteristics of other segments. Segment members might vary on a number of characteristics including demographic characteristics geographical region lifestyle usage patterns attitudes and behavioral factors.
Moreover, as the above definitions suggest, the difference between market segments must be ones that are or might become significant for the design of marketing strategy this key point distinguishes market segments from groups. Many organizations have conducted significant research that identifies groups that is groups of customers or noncustomers that differ in terms of demographic characteristics and in some as attitudes however these groups do not die meaningfully in terms of behavior or in their responses to marketing activities. For example, many transit companies have identified nonreaders as a market segment (Schwartz S H and Bilsky M, 1990) [34]. They are considered a market segment because they generally have a common it is inconvenient and inflexible. Considerable time and energy has gone into converting nonreaders to readers with little or no effect. This is because nonreaders as a group are unlikely to respond favorably to changes in the marketing mix.

Market segments are different from groups in that respond to a separate product or market strategy is different from that of another market segment. According to Lazer W (1963) recently, transit companies have looked more carefully at the nonreader market and identified target markets consisting solely of different segments of nonreaders [35]. These segments also differ in terms of attitudes and demographics. However, some segments of nonreaders will respond favorably to changes in the marketing mix.

**A Case study of Catera from Cadillac**

Market segment can serve as the corner stone of an efficient overall strategy. Research in the private sector has shown conclusively that if a marketer can find segments that (1) can be both identified and differentiated, (2) will remain effectively stable, and (3) can effectively be reached, a firm can increase sales and profits by marketing to these segments, beyond profits possible from treating the market as homogeneous.

Introduced in the 1996, as “The Caddy that Zigs”, the Catera unites fun, great handling and luxury.

Catera is the newest offering in the entry-luxury market, excepted to grow to 434, 000 vehicles a year by 2012. Dominated by European and Japanese sedans in the $29, 000 to
$40, 000 range, entry-luxury cars appeal to ‘Boomers’. The question—could Cadillac lead in creating a higher standard work for them?

Using high level demographic, lifestyle-values, and benefits needs segmentation – plus a zippy German-made car – Cadillac made its key” go” decision. Cadillac relieved own market research to adjust the product, set the price, create the brand personally and advertising, and support dealer sales and distribution. “I cannot put enough emphasis on the investment in research. It kept reconfirming our positioning and marketing approach,” said Dennis Echlin, Catera’s Brand Analyst. “We’re passionate about it.”

The research showed that the Catera is for people age of 35 to 50; their average age is 44. They were young adults in the 1960s and 70s, driving smaller imports and rejecting their parent’s choices. The majority are college graduates (73%) in professional positions (57%) with household incomes of $75, 000 and over. Unlike the markets for Cadillac Seville and Deville, half of Catera prospects are female; only 16% are retired. “We did the geo-demographic analysis, but to target 40 plus years old, with incomes over $100, 000 doesn’t say much. We took the analysis a step further, looking at buying habits. We did segmentation based on a combination of benefits, needs, and lifestyle “said Echlin.

Catera found that the younger, upscale professional is self-aware, individual thinkers. They are doers and extremely active. They are ethnically diverse. Also conscious, they consider this purchase a rational indulgence. They want extras, but do not want the car to seem excessive. They are sophisticated shoppers, gathering information and tending to shop many brands and dealerships. And, they want a car that is sporty, safe, and luxurious.

In October 1996, the Catera was launched. As a result in its first calendar years ending December 31, 1997, Cadillac sold 25, 411 Catera, making it the most successful launch of an entry-luxury car in the history of the U. S. auto industry. The record had previously been help by Acura, which sold 24, 700 units of the TL model in 1996, its first full year, “Catera is now firmly established as a major player in one of the industry’s most hotly-contested segments,” said Dave Nottoli, Catera Brand manager.

A top-down commitment to its markets has bought all-star industry award and favorable press from consumer magazines during Catera’ first calendar year. Among the awards:
Driver’s choice awards for Best Luxury car, Motor Week, Best New Luxury car, Automobiles journalists association of Canada, Automobile magazine’s all stars, Best of What’s New, Popular science and Edison Award best new products of 1997 American Marketing association. Additional results from the use of a strong market segmentation strategy include:

1. Catera is accomplishing its objective to attract a new, younger generation of buyers to Cadillac, where the median age of customers was 63 years. The median age of the first-year Catera buyers was 56, compared with the median age of 47 for all customers in the entire-luxury segment, and the average of 44 which was Catera original aim.

2. Catera is bringing more women customers to Cadillac where, traditionally, about 30 percent of customers have been women. In the first year, 45 percent of Catera buyers and lessees were female.

3. Catera found marketers that had belonged to major competitors. Over 60 percent of recent Catera customer trade a non-General motors’ products. Catera buyers most often listed Lexus as their second-choice vehicle.

4. Finally, its “Caddy That Zigs” television advertising enjoys the highest aided awareness for entry luxury cars, according to third-party research.

Marketing Segmentation research led to General Motors’ action in tailoring the product, pricing (Gonzalez A M and Bello L, 2002; Van Raaij W F, 1994) [38,105]. Promotion and showroom sales support for the most successful ‘entry-luxury’ auto launch in U. S. history.

While transit companies do not generally think in terms of profits and sales like general motors, they can benefit from the use of market segmentation research and the resulting strategies. As companies in the private sector have found, if transit companies can (1) identify and differentiate market segments that (2) will remain relatively stable and (3) that can be effectively reached, they will achieve increases in ridership by marketing to these segments, beyond ridership increases possible from the treating the market as homogeneous. Wedel M and Kamakura W A (1999) says that there are five major benefits of market segmentation analysis and strategy [106]. They are:
1) Designing responsive products to meet the needs of the marketplace (Plummer J 1974). By thoroughly researching customer preferences – an essential component of segmentation analysis- an organization will move towards an essential of a market orientation – achieving a customer focus. The organization places the customer first and designs and refines its product and service mix to satisfy the needs of the market.

2) Developing effective and cost efficient promotional strategies. As a planning tool, segmentation identification and analysis is extremely valuable in developing the organization’s communication mix. Advertising can be designed with a message that touches the hearts and minds of the market. These messages can be targeted to the right media vehicles. This marketing investment can be supplemented by public relations initiatives, sales promotion methods, and direct marketing or relationship marketing programs.

3) Providing insight on present marketing strategies. It is important to periodically reevaluate organizations’ present marketing strategies to try to capitalize on new opportunities and circumvent potential threats. Market segmentation research is useful in exploring new markets – perhaps secondary or fringe markets such has infrequent or occasional riders that might have otherwise been neglected by concentrating on primary markets, such as commuters and/or frequent riders. Moreover, effective segmentation provides a systematic approach for controlled market coverage, as opposed to hit-or-hiss effectiveness of mass marketing strategies (Doyle P and Saunders J, 1985; Anderson J C and Narus J A, 2004) [107,108].

4) Providing data on which to base resource allocation decisions. A major use of market segmentation analysis for transit is the data provided on which the organization can then make decision about where to allocate increasingly scarce resources. This data will be particularly useful when making special funding requests.

5) Ongoing consumer and market segmentation analysis provides important data on which long-range planning – for market growth or product development – can be based. Finally, while market segmentation is an important tool for achieving long
ranges planning. A thorough understanding of the characteristics of the market today, coupled with projections for future trends, can help the long-range planner develop and price products and services that will meet the needs of these markets into the future. This is particularly important where many of these new products and services represent significant capital investments.

In summary, market segmentation provides the necessary research base on which all other marketing strategies can be successfully formulated. This includes all aspects of marketing including project and services development, route structure, pricing and fare programs, and communications (Bonoma T V and Shapiro B P, 1983; Clarke A H and Freytag P V, 2001) [109,110]. Following segmentation, the organization can select target markets – one or more groups that will respond favorably to certain product or service configurations and messages about these products or services. The organization can then position its products and services by developing unique marketing strategies to appeal to the selected target market(s). Segmentation research analysis markets, finds niche opportunities, and capitalizes in a superior competitive position – enabling an organization to better serve the needs of its customers. Segmentation – driven strategy can help companies design responsive products, develop effective promotional strategies, understand emerging trends in the marketplace, and fine tune current market initiatives. In summary, it is a systematic approach for controlled market coverage and expansion.

### 1.1.18 Segmentation Theory

Segmentation or market segmentation is the dividing of a total market into its constituent parts by some method. Segmentation is not a new concept. It has been around for so long that a countervailing wisdom developed a couple of decades ago that for some products and some services the seller does not need to segment that segmentation is too expensive of corporate resources to be worth doing and does not gain the firm anything. In the past couple of generations however marketers have segmented their markets more often than not. Wilkie and Cohen (1977) discuss research dating from as far back as the mid 1950s [39]. despite a folkloric view of the 1950s as the golden age of mass marketing when everyone sat in a similar living room and watched leave it to beaver on identical television
sets, there were let us remember three major US car makers at the time, and not everyone used. Tide to wash their clothes or brushed their teeth with Colgate toothpaste. There were several competing products in many categories and these products has what today we would recognize as differing brand personalities, attracting different kinds of customers; these product categories where, thus, segmented.

Art Weinstein (1994) [111] has called segmentation as “the key to marketing success,” a statement he reiterated in the revised edition where he also discussed the “segmentation imperative.”

Segmentation can help in product and service development and marketing. Instead of Henry Ford developing the Model T for everyone allowing variations in color as long as the variations were black developing products and services for a specific segment allows for a much better focus on what people want and will pay for. This restatement of the marketing concept at the segment level where the marketing concept is a customer oriented, profit oriented philosophy of business that can be bluntly stated as “find out what people want and give it to them for improvement in the new product failure rate. This restatement of the marketing concept at the segment level is the foundation of segmentation as a strategy either introduce one product to a specific segment as a solo target, recognizing that not everyone will buy the single product or introduce an array of products within different features and benefits in each to attract several different types of consumers as multiple target markets. It seems appropriate here to mention the internet’s use by consumers to search out new products and by producers to target customers.

According to Croft M J (1994) the segmentation scheme used must satisfy a number of criteria within the segments [112]. Every segmentation scheme and its segments must possess the following ten criteria:

1. Differential behavior.
3. Reach ability.
4. Feasibility.
5. Profitability.
7. Responsiveness.
8. Stability over time.
10. Project ability to the entire market.

1.1.19 Essentials of Sound Market Segmentation

The process of market segmentation should be contained within the parameters of various evaluative criteria. There is a danger that unrestrained segmentation may lead to an unsustainable range of product modification and produce disadvantage to market diversification.

Market segmentation has its own benefits and costs. The strength lies in better understanding of consumers for making intelligent marketing decisions and their implementation. The weakness of segmentation is evident from the inability of a marketer to take care of all the segmentation bases and countless variables. Therefore, to optimize the benefits from market segmentation, every firm must adopt certain criteria for effective segmentation.

1.1.20 Market Segmentation – Some Important cautions

While the arguments for using marketing segmentation are strong, there are three important assumptions on which segmentation is based. If an organization does not believe that different groups of individuals exist within the total market for transit services, it is not ready for market segmentation. On the other hand, if a marketer and an organization together feel that even if these groups exist, they do not demand different products or services or do not react differently to specific marketing strategies, then an organization is not ready for market segmentation.

The use of market segmentation assumes that after marketer has invested in analysis to define the market segments and predict – to some degree – the best prospects for a specific products or service, that he / she is willing to select “target segments” whose needs he/she can best fulfill, and concentrated efforts on reaching and persuading primarily this portion
of the total market (Bonoma T V and Shapiro B P, 1983; Ames B C and Hlavacek J D, 1986) [110,113]. If an organization is not prepared to invest in this analysis, it is not ready for market segmentation.

The application of market segment assumes that if more than one target segment is desirable, the marketer is willing to design different marketing or product strategies for each segment. If an organization is not able or willing to designs different making of product strategies for each segment, then an organization is not ready for market segmentation. Or, if an organization cannot accept the premise that by segmenting the market an organization is implying that it will not serve some segments of that market, then an organization is not ready for market segmentation.

Finally, it is important to bear in mind that market segmentation is not the elixir that will solve all the marketing and service planning problems.
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