Chapter: 2 LITERATURE REVIEW

2.1 Problem Statement

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 aspects. Automobile industry is a symbol of technical marvel by human kind. Being one of the fastest growing sectors in the world its dynamic growth phases are explained by nature of competition, product life cycle and consumer demand. The rising competition and increasing global trade are the major factors in improving the global distribution system and has forced many auto-giants such as General Motors, Ford, Toyota, Honda, Volkswagen, and Daimler Chrysler, to shift their production bases in different developing countries such as India, which help them operate efficiently in a globally competitive marketplace. Due to competitive market, many firms' operators are constantly searching for alternative methods to supplement their income. One method of business is market segmentation analysis. At this juncture, the study makes an attempt to evaluate the basis for the segmentation in automobile sector in India and the selected hub of Indian automobile industry Pune city the objective of the study is to understand and find out the new bases of segmentation in automobile industry in India.

2.2 Meaning and Definition of Market segmentation

Markets comprise many buyers who differ from one another in respect of their nature habits, tastes or interest, income age mode of buying and other attitudes. Thus all consumers cannot feel satisfied with the same produce in such a situation the marketing manager should divide the whole market into many sub markets on the basis of the distinctive features of the inures each of the sub markets in called a market segment thus
Market segmentation is the process of identifying and evaluating various strata or layers of a market.

Market segmentation refers to the various segments of the market based on the common characteristics of the customers; thus, a market segment consists of a large identifiable group within a market (Furnham, 1992; Lazarsfeld P, 1935) [1, 2]. A firm that practices segment marketing recognizes that buyers differ in their wants purchasing power, geographical locations, buying attitudes, and buying habits according to William J. Stanton, “Market segmentation consists of taking the total heterogeneous markets for a product and dividing it into several sub markets or segments, each of which tends to be homogeneous in full significant aspects”. In the words of Cundiff and Still (1988), “Market segments are grouping of consumers according to such characteristics as income, age, degree of urbanization, race or, either classification, geographic location or education” [3].

An organization cannot satisfy the needs and wants of all the consumers if it attempts to do so; it may result in a massive drain of company resources. Segmentation is simply the process of dividing a particular market into sections which display similar characteristics or behavior. There are numerous segmentation variables that allow an organization to divide their market into homogeneous groups.

While market diversification was a generic strategy for the 1980s, market segmentation became a predominant theme in the 1990s. Many companies’ previously developing products for diverse markets have found the resource implication unsustainable as consumer demand has dwindled (Massy W F, Frank R E and Lodahl T, 1968) [4]. This has led to greater emphasis on defining the characteristics of accessible and financially viable consumer groups in order to target the unique benefits of an existing product portfolio and rationalize production and marketing costs in the process. The nature of service sector products facilitates product and market differentiation with enhanced opportunities for cost control and productivity gains. A marketing segment is a meaningful buyer group having similar wants. Market segment is a part of the market defined on the basis of the displayed characteristics of the people it covers.
Market segmentation is the process of grouping user’s common desires or needs, having into different categories. It is the process of identifying the groups of buyers on the basis of differences in their desires or requirements.

According to Stanton (2005) market segmentation consists of taking the total heterogeneous market for a product and dividing it into several sub markets or segments each of which tends to be homogeneous in all significant aspects [5]. Kotler (2001) says that Market segmentation is the sub dividing of a market into homogeneous subjects of customers where any subset may conceivably be selected as a market target to be reached within a distinct marketing mix [6]. The power of this concept is that individual sellers may prosper through creatively serving specific market segments whose needs are imperfectly satisfied by the mass market offerings. Ronald hasty and others argue that segment markets simply divide the heterogeneous mass market into groups each of which has one or more homogenous characteristics the number and nature of which depends on the purposes and imagination of the analyst. For example an industrial market might be segmented as follows (1) By size of customer large medium and small accounts in terms of purchases number of employee’s sales volume or other measures (2) By geographic area (3) By method of distribution (4) By standard industrial code (5) By amount of technical service required (6) By reasons for buying and benefits derived from use and (7) By nature of buying decision process. Market segmentation is a method for achieving maximum marker response from limited marketing resources by recognizing differences in the response characteristics of various parts of the market (Clay Camp H J, 1965; Brody R P and Cunningham S M, 1968) [7,8]. It is a strategy of divide and conquer that adjusts marketing strategy to inherent differences in buyer behavior. These definitions show that market segments are grouping of buyers who have common features as buyers of a product or service so that their needs can be well served.

Thus, segmentation is the delineation of a customer group or groups with homogeneous wants needs which the organization might successfully satisfy. It is the process of grouping individuals whose expected reactions to the producers marketing efforts will be similar during a specified time period. It involves two loosely related areas from the perspective of the marketing manager. (i) The total market for any product can be sub divided or
segmented into groups of potential customers who are homogeneous with respect to certain wants or desires. (ii) It might be advantageous to the organization to serve one or more these market segments.

### 2.3 History of Segmentation

Till before the end of the Second World War, the global economy was mostly a supply driven economy. There were a few suppliers for the various product classes. There were few variations and little choice for consumers to choose from. The products were more or less of standard quality. Due to this, segmentation as a concept was unheard of. Consumers could only buy what was available and everyone bought similar products. Post World War, as global economies rose and peace-time allowed countries to concentrate on infrastructure development, technology improved and the spending power of people increased. Manufacturers began to take advantage of this and the options for consumers increased. The number of manufacturers shot up and the market had improved options in all product classes. It was only then, in the 1950s that the first mention of the term segmentation was made.

Wendell Smith, is considered as the father of segmentation theory. It was in his article in 1956 ‘Product Differentiation and Market Segmentation as Alternative Marketing Strategies’, that the concept of segmentation was first visited Snellman (2000) [9]. Smith (1991) emphasized that no market is characterized by homogeneity in its entirety. [10] Homogeneity can only be found in smaller groups within the entire customer base. The emphasis of his article was on ‘product differentiation’ as a means of segmentation and also as a means to cater to more than one segment. In effect, he refers to product differentiation and market segmentation as separate but undividable concepts. He explains heterogeneity as an error on the part of consumers to choose what is needed and wanted. In other words, he assumes that consumers are logical and rational thinkers for whom purchasing is about the right thing at the right price.

After the article by Wendell Smith, segmentation as a topic began to attract a lot of attention with a number of articles being written and studies done. The various existing methods of segmentation and other possible newer methods of segmenting the market were
discussed. While geographic segmentation was practiced initially, this was primarily done due to the failure of manufacturers to reach far off consumers. With the development and advancement in technology, the concept soon became less applicable if not non-existent Snellman,( 2000). This gave way to demographic, psychographic and behavioural methods of segmentation [9].

Yankelovich (1964) presented a point on market segmentation. He was of the view, and rightly so, that most marketing managers choose the method of segmentation before actually trying to understand the best way of segmentation. He said that for every type of segmentation, to arrive at the right results, the method differs. Also, he disregarded the commonly practiced method of demographics on grounds that buyer patterns could not be understood by mere evaluation of age, sex, education, so on and so forth. Further, he also said that “buyer attitudes, motivations, values, usage patterns, aesthetic preferences, or degree of susceptibility”, might be more acceptable methods of segmentation [11]. Sissors (1966) presented a similar view where he felt that geographic and demographic variables alone might not be appropriate enough for the purpose of market segmentation. He further said that segmentation is in-fact a process wherein a number of variables must be taken into account and in a step-by-step method. He was the first to refer to segmentation as a process with an increase in segmentation literature, there was naturally an increase in the criticisms [12]. Haley (1968) also criticized the then popular segmentation techniques of geography and demography. He added to that the criticism of volume segmentation [13]. The basis of his criticisms was that all the methods deal with the descriptive factors (the composition of the segment), rather than causal factors (factors that lead to the purchase). As a replacement, he suggested the use of ‘Benefit Segmentation’ wherein he felt that the benefits that consumers derive from the consumption process might actually represent true segments. Barnett (1969) also criticizes the traditional methods of segmentation by saying that the customers are not helpful during data gathering and that the accuracy of the data obtained is very low. Alternatively, he proposes a method based on usage patterns coupled with product differentiation [14].Peters (1970) introduced another method of segmentation, which took into account the relative income of families and thus explained their consumption patterns. He used the term “keeping up with the joneses” to explain segmentation [15]. In 1971, Wells and Tigert, talked about the use of people’s activities,
interests and opinions (AIO), as a means for segmentation. They said that by observing people’s activities, interests and opinions we can get some idea of their lifestyles and thereby devise segmentation tactics. A larger form of AIO is lifestyle segmentation, where AIO is used to understand lifestyles [16]. As mentioned by Plummer (1974), AIO is a very popular method of measuring lifestyles. He therefore suggested another method called ‘lifestyle segmentation’ [17]. Along similar lines, there have been a number of variations to the concept of AIO. Value based segmentation is one such method. While closely related they, differ on the grounds that while AIO talks of peoples way of life, the latter talks about peoples way of thinking and their value sets. Value based segmentation was first proposed by Vinson et al. (1977) [18]. Another such method was described by Gates (1989). The ‘Values and Lifestyles (VALS)’ method proposed by Gates uses a psychographic method, combined with the widely accepted and practiced, demographic methods of segmentation. Based on this method, Gates divided the consumers into eight categories, which we will discuss later. Sukhdial et al. (1995), used a similar method of segmentation by values, to explain the luxury automobile segment [19].

Thus far, most concepts and methods of segmentation were qualitative in nature. There was little scientific and empirical support to these methods. On these grounds, Lifestyle segmentation was criticized by many. Wind (1978), also criticized the method on the same grounds [20]. After this, it was the methods of segmentation became more systematic and scientific, rather than the ad-hoc methods that were normally used. Shapiro et al. (1987) came up with a matrix to try to understand the viability of segmenting consumer bases so as to identify the most profitable base. They called this the consumer classification matrix [21]. The main idea here was that while consumer interests should be taken into account while segmenting the market, the profitability of segments must also be evaluated to cater to the companies’ needs.

Another method of segmentation was introduced where in it was believed that the various matches in price-quality combinations will cause consumers to segment themselves automatically. Kwoka, Jr. introduced this concept in 1992, wherein he suggested that by changing price quality mix of a product we allow consumers to segregate themselves [22]. In 1999, Frank Verboven mentioned a similar means of segmentation with regards to
automobile engine pricing. He too suggested using product variants with different price quality mixes to segment the consumer market [23].

Segmentation, or the lack of it in terms of methods, has even led to researchers to look to the stars. Mitchell and Haggett (1997), have suggested the use of astronomy to define individuals’ buying patterns and thus as a possible means of segmentation. They say that while zodiac signs are not accurate predictors of character, they do provide psychological differences. In essence, they too talk along the lines of psychographic segmentation [24].

Up until 2000, psychographic method of segmentation seemed to be most widely accepted, as is shown in the literature above. However, in 2006, Yankelovich and Meer came up with a paper, wherein they said that there is no set pattern which is apt for segmentation. Neither, they said, is segmentation a one-time practice. They are of the view that segmentation should be an ongoing process, and its methods should keep changing depending on the questions one wants to answer [25].

2.4 The Automotive Industry

In the 15th century, Italian inventor Leonardo da Vinci envisioned possibilities for power-driven vehicles. By the late 17th century, English physicist Sir Isaac Newton had proposed a steam carriage, and by the late 18th century French army captain Nicholas-Joseph Cugnot had actually built one. By the mid-1800s, the popularity of steam vehicles began to decline because they were dangerous to operate and difficult to maintain. At about the same time, inventors became interested in the internal-combustion engine. Robert Street of England filed a patent in 1794 that summarized how an internal-combustion engine might work, but it was Belgian-born French inventor Jean-Joseph-Étienne Lenoir who built the first commercially successful internal-combustion engine in 1859. Lenoir’s engine had a carburettor that mixed liquid hydrocarbons, which formed a vapor. An electric spark in a cylinder ignited the vapour. By 1876 German shop clerk Nikolaus August Otto had improved on Lenoir's engine, and the Otto engine became the model of the internal-combustion engines used today (El-Messidi, 2006) [26].
The automobile industry, if not the largest, is definitely one of the largest industries in the world today. It has been able to revolutionise global transport. The reduced significance of geographic segmentation can most certainly be attributed to this industry. This industry is of extreme importance as it bridges gaps between cities, states, countries and cultures, thus bringing the world closer. It has facilitated faster public and goods transport and has helped in widened trade and commerce. Moreover, it is a source of income and livelihood for millions and millions of people worldwide and generates revenues to the tune of billions of dollars globally. Today, this industry of mammoth proportions, churns out well over fifty million new vehicles per annum worldwide, making it the largest manufacturing activity in the world. The global economy is without doubt heavily dependent on this industry. (El-Messidi, 2006) [26].

2.5 Segmentation and the Automobile Industry

With such a key industry, it becomes important to develop segmentation strategies that will allow companies to effectively market their products with minimal or most efficient use of resources. Besides, the global market consists of consumers with varying tastes and preferences. However big the company may be, it would be difficult for it to cater to all the consumers in the market considering that, the resources are in fact finite. They must therefore choose the groups of consumers they wish to cater to. While the automobile industry has essentially been a product-oriented industry, substantial importance is now being given to the needs of consumers. Several segmentation techniques have been proposed with regards to the automobile industry.

Peters (1970), has proposed a variable called “relative occupational class income”, where in, he analyses “the relationship of a family’s total income to the median income of other families in the same occupational class”. His findings showed that this variable could be used to show a more generalized variation with regards to car purchases but not to differentiate at a more micro level [27].

Sukhdial et al. (1995) suggested a method of segmentation where they attempted to show the effect of values on the purchase of luxury cars. Their reason for conducting the study was that they thought luxury cars were purchased for value expressive reasons just like
other luxury products that are conspicuously consumed. The findings showed that the owners of luxury cars did differ in terms of values. They were even able to attribute the values to luxury car owners based on the car’s country of origin. They were able to correctly co-relate values with car owners in sixty five percent of the cases [19].

Anurit et al. (1999), conducted research into the purchasing patterns on various kinds of consumers in the luxury car segment. They found significant differences between business-to-business buyers (fleet) buyers and retail (private) buyers. They were therefore able to deduct that retail buyers differ in terms of specificity. Consumers concerned with the experience and symbolic value would mainly be concerned with the country of origin and the brand. On the other hand, consumers who value vehicle characteristics will purchase on the basis of performance figures and the brand may then loose the lead. In other words, the intrinsic and extrinsic needs of consumers, determines the purchase. To better understand the effect of consumer attitude towards the purchase of luxury cars, the researchers a set of attitude variables in collaboration with luxury car dealers like Mercedes, Lexus, Volvo, Jaguar and Audi. They identified the following variables: “(1) reliability (2) quality (3) durability (4) safety (5) security (6) performance (7) efficiency (8) technology (9) handling (10) value (11) style (12) comfort (13) prestige (14) status, and (15) visual impact. The first nine variables are in the ‘objective’ category. The last six variables are in the ‘subjective’ category”. They said that these different attitudes “may be due to differences described as demographic, geographic, psychographic, or lifestyle. Therefore, behavior moves from personal buyer to different buyers in a given society. Like other products, luxury automobile marketers (manufacturers, companies, dealers) also need to focus on ‘who buys’ or ‘type of customers’ to segment their cars” [28].

Goodyear (1996), suggests that products must be different as compared to other options available in the market and be able to provide the consumer with an identity so as to allow consumers to spot the product from amongst competing brands [29]. Keller (1993), says that it may not be easy to define what luxury is for the simple reason that what may be luxury for one consumer, may not be for another consumer [30].

“The Society of Motor Manufacturers and Traders Limited (SMMT) classify cars into nine segments: mini, super-mini, lower medium, upper medium, executive, luxury saloon,
specialist sports, dual purpose, and multipurpose vehicle (MPV). Amongst these, one can notice that there is the separate segment namely ‘luxury saloon’. However, this may not describe the whole aspects of luxury cars”, Anurit et al. (1999) [28]. Which is to say, that luxury car manufacturers produce luxury cars of various prices. They remain luxury cars as long as they highlight the owner’s status irrespective of the price.

Fusile (1989), says that “the automobile industry has sold cars in terms of everything other than the real function, which was personalized transportation. Cars were sold based on speed, on power, sex appeal, luxury, safety, reliability, economy of operation and, obviously, price.” [31] Essentially Fusile is saying that cars have been sold based on the values that people consider important based on their varying personalities. Also, he says, that the advertising for automobiles has been so effective that they have become symbols for peoples lifestyles and values. So much so, he says, that at one point of time “a college professor would rather forfeit his tenure than be seen driving a Cadillac”. According to him, segmentation in the automobile industry today, is not just about studies, tests and focus groups. Marketers need to look above and beyond mere demographics, to find out the reasons as to why consumers care, or for that matter do not care for their product. It involves finding certain commonalities between the consumers’ lifestyles and the product being marketed, and this is how market segmentation should be done.

Riesman et al. (1950, Revised - 2001), in their book ‘The Lonely Crowd’, has developed a theory, which divides human beings into three distinct categories based on the stage of development of the society to which they belong. They have thus divided the human population into “Tradition Directed” people, “Inner Directed” people and “Other Directed” people. They say that people, who are tradition directed, largely belong to underdeveloped or developing countries and are largely guided by the actions of the past, or predecessors. With regards to inner directed people, they say that the action of such people is based on their own individuality and that they are not affected by what others think. The other directed people they say, are people to whom other’s opinion matters. They wish to blend in and try to keep up with those around them. Based on these three states, he has tried to analyze people’s behaviors [32].
Kassarjian (1962), based on the theory of Riesman, tried to find a relation between various demographic variables and the inner other directedness approach. His findings showed that there was no co-variance sex, age, education, marital status or any other demographic variable, and the inner outer directedness [33].

McCrohan and Finkelman (1981), again, based on Riesman’s theory, have tried to devise a method by which to use ‘inner other directedness’ theory to evaluate the automobile industry. They have tried to find whether the theory can be applied to finding the different purchase behaviours of consumers belonging to four prestige categories, based on “the social characters and socio-economic profiles of purchasers of new automobiles” in the United States of America. They found that the “high-prestige automobiles” were mostly purchased by people who were a little older, and belonged to the “upper and upper-middle class people” who did, or did not have children. Their family income was above $ 35,000 per annum and these were mostly other directed people. Older people who did not have children most often purchased the “medium-prestige automobiles”. Their family income was between $ 21,000 and $ 35,000 per annum, and they too were other directed people. The lower-prestige automobiles were by and large purchased by people belonging to the lower- middle and lower class group. They may have had a recent increase in purchasing and were mostly inner directed by nature. Finally, the very-low-prestige automobiles were found to be purchased by young people, who may or may not be married with the youngest child below six years of age, and an income that is below $ 21,000. These consumers are the most inner directed [34].

2.6 Segmentation and the Indian Automobile Industry

“In 1991, the Government of India embarked on an ambitious structural adjustment programme aimed at economic liberalization, based on the pillars of De-licensing, Decontrol, Deregulation and Devaluation. Post-liberalization, the Government of India's new automobile policy announced in June 1993 contained measures, such as de-licensing, automatic approval for foreign holding of 51% in Indian companies, abolition of phased manufacturing programme, reduction of excise duty to 40% and import duties of ‘Completely Knocked Down units (CKD)’ to 50% and of ‘Completely Built Up units CBU’
to 110%, and commitment to indigenisation schedules. The Government of India's new automobile policy attracted a large number of automobile companies to India”. As a result, there were a number of international companies that were jockeying for entry into the country. International heavies like General Motors and Ford, thus gained entry into the then modest, Indian automobile industry. Today, multi-national companies are using India as a manufacturing “base for exporting vehicles to other countries”. The growth rate of the Indian automobile industry is well over 25 %, which is enormously larger than other developing countries like Korea and Brazil. Mukherjee(1997) [35].

By the April of 1996, there were about eighteen automobile companies that had either begun operations in India or were in the process of launching in the country. As a result, while initially there were only about three vehicles to choose from, consumers now have wide variety of options. Mukherjee and Sastry(1996) [36].

Rathore and Swarup (2006), have estimated that the current sales of vehicles in India is roughly around one million units per annum. However, they say that this level of sales is “abysmally low” of one were to take into account other developing countries such as Pakistan and Sri Lanka where the penetration level is still higher. The penetration level in India is substantially low at seven cars per one thousand people. They thus say, that even at the level of one million units per annum, “this is just the tip of the iceberg” [37].

Mukherjee (1997), says that the automobile industry of India is still in the process of evolution and growth. As a result, the segmentation techniques used are not very refined or evolved unlike the western countries. “There has hardly been any kind of segmentation on psychographic or behavioral parameters as seen in developed car markets.” He further says that the “segments are quite different from the segments known in the US, European or Japanese markets.” The segmentation process, he says, is done largely on the bases of the product type or the price range the product fits into. Further, he found that there was a very substantial difference in demand between “the four geographical regions” of the country [35]. This goes to show that there is such diversity between the geographical reigons of the country that product preference tends to differ. This is so prominent, that companies can use geographical segmentation in the initial process of segmentation. As a testament to the geographical diversity, Mukherjee (1997), has said that “North India is the largest market
for cars in India currently with 43% market share. Next come west with 27% and south with 22%. East has the lowest market share at 8%.”[35]. Mukherjee and Sastry (1996), have suggested “choice of target market” as one of the first elements of designing an “entry strategy” [36]. Going as per the findings of Mukherjee (1997), it would seem that geographic segmentation might be an apt first step in doing so [35].

As per the findings of Mukherjee and Sastry (1996) and Mukherjee (1997) [35,36], the current segmentation techniques used in the Indian automobile industry, are primarily based on the type or utility of the vehicle and the price range of the vehicle. In so doing, they have been able to segment the market into ‘Off Road or Utility vehicles’, ‘Economy segment’, ‘Luxury Segment’ and ‘Super Luxury segment’.

The Off Road or Utility vehicle segment comprises of sports utility vehicles (SUV) and vehicles used for heavy use purposes for example ‘pick up trucks’ and other small commercial goods transport vehicles. An interesting point to note here is that in the SUV section, there are indeed vehicles that are expensive enough to be considered a luxury vehicle. While these vehicles do automatically become segmented in the minds of the consumers, there is no formal segmentation for the same. The communications by manufacturers do not differentiate the advertisement and, the message communicated is the same of ‘outdoor toughness’.

The Economy segment is comprised of cars that are affordable enough for most middle-income group families, and are generally priced at less than USD13,333.

The Luxury segment consists of vehicles priced between USD 13,333 and USD 33,333, and the Super Luxury segment consists of vehicles priced over USD 33,333.

This may be interpreted in terms of geographic and price segmentation being an effective segmentation criteria in the Indian market. Gonzalez-Benito and Gonzalez-Benito (2004), have attempted to understand and justify geodemographic price variations and have found a relation between buyer patterns and the segmentation methods.

However, with scarce research in the Indian automobile industry, few know what it is that moves the consumers and how the market should be segmented. Odekerken-Schröder et al.
(2003), says that there are several dimensions that consumers take into account and attach different levels of importance to each of those dimensions [38]. Therefore, to be able to segment the market better and to use their resources in the most effective manner, manufacturers must know the dimensions, along with their varying importance, that consumers take into account.

Rathore and Tilak (2006), have dedicated a substantial amount of literature to explain the dealership networks of the various automobile manufacturers in the country. Also, they have concentrated on the prices offered by the manufacturers on their products [39]. This goes to show that India is largely a very price sensitive market and that price may be an important attribute in the segmentation process here. They have indicated that a combination of price and benefit segmentation may be the way to go, when they say, “The Indian market is highly price- and value sensitive. The best-selling cars in the market are also the cheapest, with highest perceived value.” With regards to current methods of segmentation, Rathore and Tilak have written about segmentation in terms of size alone. They have divided the cars right from segment ‘B’ to segment ‘D’, where ‘B’ refers to the small vehicles and ‘D’ refers to the saloons.

2.7 The concept and application of lifestyle segmentation

Plummer and Joseph T (1974) [41] say that customers are classified in homogeneous group under demographic similarities like age, sex, education level, income, etc. 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.

the goal of competitive strategy for a business unit in an industry is to find a position in an industry where the company can best defend itself against these competitive forces or influence them in its favor, Today, there are three segments in the passenger car segment, which are: economy, mid-sized and luxury car segments

As we know today these segments have been changed dramatically and as we discussed earlier the disposable income of families in India are rising, and it become more complex
for companies to divide their product based on the income level of customers, i.e.; the concept of having more than one car.

According to Smith C N (1990) [42] the term market means different things to different people. We are all familiar with the supermarket, labor market, fish market, and flea market. All these types of marketers share several characteristics. First, they are composed of people (Consumer markets) or organizations (business market). Second, these people or organizations have wants and needs that can be satisfied by particular product categories. Third, they have the ability to buy the products they seek. Fourth, they are willing to expand their resources, usually money or credit, for desired products. In sum, a market is

- People or organizations with
- Needs or wants and with
- The ability and
- The willingness to buy.

This research includes satisfaction effect on all products but the degree of satisfaction and its relation with the changes in the bases to segmentation remains the scope to be investigated.

2.8 Market driven strategy: process for creating value

Day G R (1990) [43] says that market segmentation assumes that because consumption behavior is generally not random, it is possible to identify and isolate groups of individuals within the total market who demand different kinds of products characteristics and react differently to specific marketing strategies.

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. Which in case of auto. Industry will be crucial problem

According to Michael J Croft (1994) [44] a market is simply a group of users with similar needs. It follows from this that a market consists of subgroups, or segments, containing users with slight different needs to those of other segment. Market segment is widely regarded to be one of the key elements of modern marketing. Market segment attempts to isolate the traits that distinguished a certain group of consumers from the overall market an understanding of the group’s characteristics—such as age, Gender, geography location. In most cases, marketers seek to pinpoint a number of factors affecting buying behavior in the target segment. Marketers consider employment trends, change in income levels and buying patterns, age, lifestyle, and other factors when promotion their doors and services. Markets rarely identified totally homogeneous segments, in which all potential customers are alike; they always encountered some difficulties among members of a target group. But they must be careful to ensure that their segment accurately reflect consumers.

Market rarely identified totally homogeneous segments, in which all potential customers are alike, so the new bases of segmentation may be a semi-homogeneous market rather than homogeneous market.

2.9 Markets of a single customer: exploiting conceptual Developments in market segmentation

Kara, A., and Kaynak, E. (1997) [45] says that from an extreme perception of cars being an ultimate luxury, today it has probably acquired the status of necessity to many city dwellers. In 1960s cars were very expensive and only the very rich could afford them. The styles available were limited. Dealer’s credits were mainly used to finance car purchases. A gradual metamorphosis resulted in the perception of cars being seen as a necessity in upper middle class families in the 1970s. At this time, an expansion of dealer networks was witnessed. The 1980s saw the emergence of the “one car for the family “concept. Though the market did not offer much choice, style orientation and design became desirable attributes in a passenger car.
The passenger car industry in India has undergone a drastic change in terms of consumer perception as well as technology. From an extreme perception of cars being an ultimate luxury, today it has probably acquired the status of necessity to many city dwellers. In 1960s cars were very expensive and only the very rich could afford them, gradual metamorphosis resulted in the perception of cars being seen as a necessity in upper middle class families in the 1970s, The 1980s saw the emergence of the “one car for the family” concept.

According to Payne A F (1998) [46] to use market segmentation effectively, an organization must be aware of some potential shortcomings of segmentation. These include:

1. Segmentation finding may only provide a composite profile of a group. Although research can provide meaningful marketing information, some forms of segmentation analysis reflect only expected segment decision-making, and do not necessarily indicate actual or potential behavior.

2. The greater diversity of consumer lifestyles in the 1990s has made segmentation more difficult in many marketers. Moreover, changes in consumer lifestyle are becoming more common and occurring more rapidly. To be able to effectively segment markets requires a long-term commitment of time and resources into research to identify market segments and to track changes in the composition and characteristics of these segments over time.

3. Segmentation is only remedy for other marketing or organizational deficiencies. The best segmentation information is worthless unless it is supported by consistent product/service (Wang Z and Rao C P, 1995; Schuster C P and Bodkin C D, 1987) [47, 48]. Promotional, pricing, and distribution strategies that are regularly evaluated and revised as situation dictate. Moreover, market segmentation strategies are not a panacea for other potential organizational limitations.

4. Segmentation’s effectiveness is limited by managing ability to implement strategic implications. A marketing orientation requires a strong commitment – beyond mere lip services – from an organization. This includes support in the areas of personnel, resources to hire marketing consultants or staff, time investment in management, and the willingness to act on prescribed recommendations. If this is not currently
present, it will not happen overnight. Finding from a market segmentation study must become an integral part of the firms thinking process – progressing from a “report on management shelf” to a “working resources.”

5. Relatively few individuals have the understanding, expertise and authority to incorporate this technique into an organization’s marketing plan: hence, under-analysis of a market is common (Wayland F E and Cole P M, 1997) [49]. Occasionally, companies may over-analyze the market. In one instance, a transit organization conducted four different segmentation studies over a two-year period, spending over $80,000 per study. Yet, none of these was turned into strategy.

6. Many segmentation analyses often emphasize methodological and statistical procedures over substance. An end product of such a study is a complex model understood only by the researchers and not implemented by management – the classic reports on the executive’s sheriff syndrome.

7. Marketing research can be expensive. And market segmentation studies may be more expensive than other researches. Management may not perceive the benefits of market segmentation analysis relative to its cost.

This Research has provided meaningful marketing information, some forms of segmentation analysis reflect only expected segment decision-making, and do not necessary indicate actual or potential behavior and changes in consumer lifestyle are becoming more common and occurring more rapidly.

According to James M Rubenstein (2001) [50] Maruti Udyog Ltd, India’s largest car maker in both volume and revenues ($2.2 billion for fiscal 2004-05). It controls 50% of the domestic passenger car market share, selling half a million cars a year, with the bulk of its offering comprising the smaller compact vehicle. But it may look a lot different in the future, as it has begun to seek an increased share of the market for premium vehicles.

The seed of India’s dramatic emergence on the auto component scene was planted thanks to the Indian governments joint venture with Suzuki Motors in 1983 (the government has started the exercise of selling its stake in phases, and will completely exit by 2006) to produce compact cars for the common man. That venture catalyzed the moribund Indian
automobile industry that had only two players and an extremely expensive and shoddy car market when Maruti entered, and also created the opportunity for building a strong vendor base since many of Suzuki’s global suppliers also came in as joint ventures. Since inception, Maruti positioned itself with the right technology and products for a small and highly price-conscious market, where buying a car was a major decision (it is becoming less so) and thus their products had to be everything to everybody. As a result of this article the entrance of automobile in India was a precious concept, which is no longer exists; today companies are trying to focus on new bases which are not discussed so far.

In the mid-1980’s the Maruti 800 was launched at a price of just Rs.45,000. Suddenly many urban based middle class consumers could dream to own a first-hand car. Though the prices of Maruti’s models were subsequently hiked up, car sales really took off. This was also partly because consumers were, for the first time, offered cars which were of superior quality in comparison with Ambassador, and prices were found reasonable (Kotler, P., Brown, L., Adam, S. and Armstrong G, 2001; Rust, R, 1990). [51, 52] Even other companies responded by becoming more consumer oriented.

As we can see the new player on Indian car market find out the new bases of segmenting their car based on the situation at that time, and it shows that today also there are huge opportunities in this market and definitely the bases of segmentation should change in order to face this competition

2.10 Segmentation theory and perspectives of place

Only high sales of a product allow companies to cover their high investment costs. Bauder H (2001) [53]says that this is a problem faced by every new entrant, be it an altogether new company or be it a new model being introduced by an established brand. Thus, a minimum economic size will be required for the justification of launching a new product, even to gain a foothold in the market.

The concept of high sale has been discussed, which shows that today companies should think of new bases to segment their products.
Jay P Pederson (2004) [54] argues that the India car market today, just over 20 years after Maruti became the country’s third automaker, has a base of several million vehicles, five million of them comprising Maruti customers. Several of these customers are now beginning to think of upgrading or acquiring a second or third car. Future growth is depending on the company swinging these customers their way despite the vast choice now available to premium buyers. Changing environment and entrance of new car makers make its essential to change the old bases of segmentation, but what is going to be these bases are not discussed.

Monle Lee (2005) [55] 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.

In this research even though the author shows that there are going to be a new bases of segmentation but just focused on geographical segmentation.

2.11 The process of liberalization in India; FDI and Indian auto Industry

According to Sanket Bhatia (2007) [56] besides growth, quality is beginning to become the hallmark of the Indian auto industry. As more and more world leaders in automobile and auto parts production have entered the Indian market, the output of the Indian industry has become increasingly world-class. The world’s leading automobile producers today find operating in the Indian market gives them a competitive advantage not only through cost factors but also through factors of quality being recognized worldwide as world is reflected in increasing exports, and the increasing number of sourcing contracts that Indian automotive suppliers are attracting from some of the world’s biggest OEM’s.

The focus on the bases of segmentation from the customer’s view of point have been discussed, as we know quality is a prime competitive advantage of a company along with other factors such as customer satisfaction.
According to Anderson (2008) [57] an important consideration in defining the market to be segmented is estimating the variation in buyer’s needs and requirements at the different product-market levels and identifying the types of buyers included in the market. In the atlas Air example, Management defined the product-market to be segmented as air freight services for business organizations between major global airports, segmentation the generic product-market for air freight services was too broad in scope.

Need for frequent reevaluation in market in order to find out the current bases of segmentation or customers need is important aspect which is not considered.

According to Kazmi (2008) [58] The Indian market is not penetrated well in terms of car ownership. In countries like the U.S., penetration level is 8000 cars per thousand, but in India, it is 18 cars per thousand of population which is lower than even countries like Sri Lanka and Bangladesh.

With a huge market opportunity, the competitiveness of company going to be a key element of success with regard to customers demand, so a company that can find out new way to segment its market will be the winner.

According to Sahaf M A (2008) [59] The Indian automobile industry has registered a tremendous growth over the past one decade and has emerged as one of the most attractive industries for investment. Once of the major reasons for the growth of the automobile industry in India has been the growing markets for different types of vehicles due to increase in disposable income and standards of living of middle class families. The growth and potential of such markets in India has been the growing markets for different types of vehicles due to increase in disposable of such markets in India can be judged from the fact that India is the fourth largest passenger vehicle market in Asia and Fifth largest commercial vehicle market in the world.

Reasons for finding out a change in the focus on parameters of segmentation is clearly discussed in this book but does not mention that what are these bases? So it remains the scope to be investigated.
According to William M Pride (2010) [60] Marketers use segmentation bases, or variables, which are characteristics of individuals, group, or organizations, to divide a total market into segments. The choice of segmentation bases is crucial because an inappropriate segmentation strategy may lead to lost sales and missed profit opportunities. The key is to identify bases that will produce substantial, measurable, and accessible segment that exhibits different responses pattern to marketing mixes.

The choice of segmentation bases is crucial because an inappropriate segmentation strategy may lead to lost sales and missed profit opportunities, and in this research the new bases due to changes are not discussed.

According to Saxena (2009), Indian Automobile industry which was initially focusing exclusively on family segment for a long time encountered a change when Tata Sierra brought in a new segment by name Sports utility vehicle (SUV) segment. The SUV segmentation which was a failure in its initial stage has gained recognition from customers today. However, Indian car market is family-oriented to a great extent. Unlike countries like US in which each person owns a car, normally Indians own a single car per family. Hence, automobile marketers in India concentrate on attracting the whole family towards their product rather than an individual [61].

He further said that with strong, upwardly mobile consumers group, anti-pollution laws, easy availability of financing facility at low interest rates, demand for new cars has increased post 2003. With the expanding market and enhanced competition in the industry, each manufacturer has had to decide on the positioning of the car model. Today, there are three segments in the passenger car segment. These are economy, mid-sized and luxury car segments. The economy segment, which is the largest, has been further divided into the top end and the bottom end. Similarity, the Mid-sized car segment has been further classified into premium and non-premium models.

With the changing preferences of consumers India is today the fourth largest car market in Asia. Topmost manufactures from foreign countries have started entering into the Indian automobile market. For years, demographic and income and family segmentation were the principal modes of segmenting automobile markets. Today many marketers have begun to
expand the segmentation strategies by creating new profiles in automobile segment such as sports utility vehicle segment, multi utility vehicle segment, hatchback segment, small car segment etc.

In the past, the industry has successfully used cost as a source of competitive advantage. However, in the near future the new sources of competitive like technology, fuel consumption and vehicle design will be used by the organizations to remain in the competition. Experts strongly believe that the environmental changes might transform not only competitive structure of the industry but its traditional philosophies and customs as well. Thus the organizations within the industry world face serious challenges of growing customers’ expectations and intense competition in the future.

The early 1990s saw an increase in the exercise duties, hike in petrol prices and higher interest rates on car financing. As a result, car prices rose by 30-50% leading to a demand recession in the market. PAL and HM were among.

The mostly badly hurt since they were catering to the more price sensitive segments compared to MUL. But, in 1993-94, various factors led to the revival in demand leading to an increase in sales by 28%. This period, thus, signaled the end of the second stage and beginning of the third stage. According to Fairclough G. (2007) this stage also signaled the entry of several MNC’s in an effort to reap the benefits of liberalization [62]. Today, we have almost all the major players of the world present in the Indian automobile market—general motors, ford, Toyota, Honda, Hyundai, Skoda, Renault, Suzuki and fiat have already been there for long, and panetro has come and left. As on September 2007, India’s annual car sales crossed 1 million marks for the first time ever. Sales increased 22% to 1.07 million in 2006-07; from 88, 22,008 in 2005-06. Maruti continues to keep more than half the market with 51% plus share in passenger car segment. Tata and Hyundai keep sharing the number position with 16% to 18% of the market each. Total sales of Maruthi are about 60,000 units per month on an average whereas; total sales of Tata and Hyundai would be 18,000 to 20,000 per month on an average (Steenkamp, Jan-Benedict E.M. and Hans Baumgartner, 1998; Haley and Russell I, 1985). [63, 64]
Figure 2.1 Auto investments and their separation across the country

Source: Indian auto component industry an overview, ACMI
Table 2.1 Major players in the automobile sector

<table>
<thead>
<tr>
<th>Companies</th>
<th>Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ashok Leyland</td>
<td>LCVs, M&amp;HCVs, buses</td>
</tr>
<tr>
<td>Asian Motor Works</td>
<td>M &amp; HCVs</td>
</tr>
<tr>
<td>Bajaj Auto</td>
<td>Two and three wheelers</td>
</tr>
<tr>
<td>BMW India</td>
<td>Cars and MUVs</td>
</tr>
<tr>
<td>Daimler Chrysler India</td>
<td>Cars</td>
</tr>
<tr>
<td>Eicher Motors</td>
<td>LCVs, M &amp; HCVs</td>
</tr>
<tr>
<td>Fiat India</td>
<td>Cars</td>
</tr>
<tr>
<td>Force Motors</td>
<td>MUVs and LCVs</td>
</tr>
<tr>
<td>Ford India</td>
<td>Cars and MUVs</td>
</tr>
<tr>
<td>General Motors India</td>
<td>Cars &amp; MUVs</td>
</tr>
<tr>
<td>Hero Honda Motors</td>
<td>Two wheelers</td>
</tr>
<tr>
<td>Hindustan Motors</td>
<td>Cars, MUVs and LCVs</td>
</tr>
<tr>
<td>Honda</td>
<td>Two wheelers, cars and MUVs</td>
</tr>
<tr>
<td>Hyundai Motors</td>
<td>Cars and MUVs</td>
</tr>
<tr>
<td>Kinetic Motor</td>
<td>Two wheelers</td>
</tr>
<tr>
<td>Mahindra &amp; Mahindra</td>
<td>Three wheelers, cars, MUVs, LCVs</td>
</tr>
<tr>
<td>Maruti Suzuki</td>
<td>Cars, MUVs, MPVs</td>
</tr>
<tr>
<td>Piaggio</td>
<td>Three wheelers, LCVs</td>
</tr>
<tr>
<td>Royal Enfield Motors</td>
<td>Two wheelers</td>
</tr>
<tr>
<td>Skoda Auto India</td>
<td>Cars</td>
</tr>
<tr>
<td>Suzuki Motorcycles</td>
<td>Two wheelers</td>
</tr>
<tr>
<td>Swaraj Mazda Ltd</td>
<td>LCVs, M &amp; HCVs, buses</td>
</tr>
<tr>
<td>Tata Motors Cars</td>
<td>MUVs, LCVs, M&amp;HCVs, buses</td>
</tr>
<tr>
<td>Toorots Kirloskar</td>
<td>Cars, MUVs</td>
</tr>
<tr>
<td>TVS Motor Co</td>
<td>Two wheelers</td>
</tr>
<tr>
<td>Volvo India</td>
<td>M &amp; HCVs, buses</td>
</tr>
<tr>
<td>Volkswagen India</td>
<td>Cars</td>
</tr>
<tr>
<td>Yamaha Motor India</td>
<td>Two wheelers</td>
</tr>
</tbody>
</table>

Source: a brief report on auto and auto ancillaries in India
http://www.cci.in/pdf/surveys_reports/automotive-auto-ancillaries-industry.pdf
Figure 2.2 Indians position in the world

Source: http://stockshastra.moneyworks4me.com/indian-automobile-industry-sector-analysis

<table>
<thead>
<tr>
<th>Segment</th>
<th>India’s Position in the World</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As a market</td>
<td>As a Manufacturer</td>
</tr>
<tr>
<td>Passenger Vehicles</td>
<td>11th Largest</td>
<td>-</td>
</tr>
<tr>
<td>Commercial Vehicles</td>
<td>4th Largest</td>
<td>5th Largest</td>
</tr>
<tr>
<td>Two-wheeler</td>
<td>2nd Largest</td>
<td>Largest</td>
</tr>
<tr>
<td>Three-wheeler</td>
<td>Largest</td>
<td>-</td>
</tr>
</tbody>
</table>

Figure 2.3 Top players in deferent auto segments:

Source: http://stockshastra.moneyworks4me.com/indian-automobile-industry-sector-analysis
The Indian auto market is currently small with potential for dramatic growth. While the regional average is for 16.45 percent of the population to own a car, less than 1 percent of the Indian population owns one. Given the large size of the middle class with increasing purchasing power and the youthful population (over half the population is less than 25 years of age and India has the highest proportion of population below 35), there is the potential to penetrate a largely untapped market. Also, given the availability of cheap, skilled labor, India has the potential to serve as a regional export hub for manufacturers in the Asia-Pacific region.

The Indian market is dominated by small, low-cost vehicles (two wheelers such as scooters and motorcycles make up about 75 percent of the market share). Approximately 75 percent of passenger car sales in India are small cars. Tata Motors has introduced the Nano, which is both fuel-efficient (about 50 miles per gallon) and cheap ($2,500). Tata is expecting to launch sales of the Nano in 2008. A number of other manufacturers have already announced plans to develop small cars in a similar price range in order to compete effectively in this market.

Given the large population and growing middle class, India has the potential to develop into a significant market for automobile manufacturers. With a large, English speaking, relatively low cost labor pool, India could eventually serve as a major regional export hub throughout Asia, Africa, and Europe.  

In the last fiscal year, passenger vehicle sales grew a modest 5% due to a steep increase in interest rates, high fuel prices and weak consumer sentiment. Growth was also impacted partly due to supply disruptions at Maruti Suzuki because of a workers’ strike. Further, we saw a significant shift towards diesel engines as the government subsidies diesel but not petrol. As supply of diesel engines were constrained, consumers were willing to wait for up to six months for diesel variants than to buy the petrol variant off the shelf. In December 2011, 55% of cars sold in India had diesel engines compared with 25% a year ago.  

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1 www.trade.gov/mas/manufacturing/oaa//tg_oaai_003756.pdf
2 website www.macquarie.com.au
As a result of the surge in global crude oil prices and currency (INR) depreciation, oil marketing companies (OMC) have raised prices seven times in the last 18 months. The total increase in petrol prices has been Rs15/litre (or 25%) between Oct-10 and Apr-12. By contrast, diesel prices have remained broadly flat during the period. As the price differential between petrol and diesel has expanded, we have seen the share of diesel cars sold in India increase.

Over the last 12 months, the A2 (compact) car segment (~70% of total volumes) sales volumes declined 2.1% YoY. The key reason for the demand weakness has been that the buyers of small cars are more sensitive to the cost increases (interest rates, fuel prices, etc.), hence they postpone their purchases. Another factor has been the lack of diesel engine options in most of the popular selling models in this segment. However, despite these challenges, sales of the new or refurbished/upgraded models grew strongly.

New car models or upgrades launched over the last 12 months constituted nearly 22% of the total volumes sold in the A2 car segment in FY12E. Also, six of these recently launched car models grew 75% YoY in FY12, while the rest of the 18 models reported a 13% decline in sales. These high volumes can be attributed to higher buyer interest during new model launches.

<table>
<thead>
<tr>
<th>Models</th>
<th>Segment</th>
<th>Launch Date</th>
<th>Contribution to segment during FY12</th>
<th>Contribution to incremental volumes in cars FY12/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chevrolet Beat</td>
<td>A2</td>
<td>Jul-11</td>
<td>3.6%</td>
<td>15,736</td>
</tr>
<tr>
<td>Honda Brio</td>
<td>A2</td>
<td>Sep-11</td>
<td>0.7%</td>
<td>10,489</td>
</tr>
<tr>
<td>Hyundai EON</td>
<td>A2</td>
<td>Sep-11</td>
<td>4.4%</td>
<td>57,468</td>
</tr>
<tr>
<td>Maruti Swift</td>
<td>A2</td>
<td>Aug-11</td>
<td>10.9%</td>
<td>12,567</td>
</tr>
<tr>
<td>Renault Pulse</td>
<td>A2</td>
<td>Feb-12</td>
<td>9.1%</td>
<td>1,247</td>
</tr>
<tr>
<td>Toyota Liva</td>
<td>A2</td>
<td>Jun-11</td>
<td>2.2%</td>
<td>31,761</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>21.8%</td>
<td>130,568</td>
</tr>
</tbody>
</table>

Figure 2.4 Six of the newly launched (or upgraded) compact car models had grew 75% in FY12

Source: company data, Macquarie research, April2012
It is expected a very few new car model launches in FY13E. While there are no launches likely in the hatchback segment from the competitors, Maruti to launch a new 800cc car and upgrade the Ritz model. Lack of new models in the compact segment will put pressure on overall car market (ex-Maruti) growth.

On the other hand, there are several new launches likely in the MPV and SUV segments. The key launches are Maruti’s Ertiga, Nissan’s Evalia, Ford’s Eco Sport and the Renault Duster. Given the significant number of model launches planned for FY13E, it is believed the growth in UV sales will continue to remain strong. However, this space is likely to become a lot more competitive. M&M will continue to receive strong demand for XUV500. It has launched an upgraded Xylo recently and has plans to launch the compact Xylo later in the year.³ (Macquarie research, Indian auto sector)

Configuring the sticker price for a car in the market today is no more a functional decision. It has become a strategic decision as it identifies the key segment’s response elasticity to the market offer. The two key inhibiting factors for the poor response to the auto warfare in Indian Car Market are basically the low per capita income at $350 (Rs 14,000 at current prices) and the high manufacturing costs. ⁴(Panda Tapan, 2012)

After sales service for cars is as critical as showroom deals. Maruti services its 2 million customers through an army of 174 dealers spread across the country. It will be impossible for a company to duplicate such infrastructure, particularly with investments in a metro-based showroom going up to Rs 4 crore. Margins in retailing are moving from actual sales to after sales service.

In the US, auto demand rises by 4 per cent for every 1 per cent increase in the real Gross Domestic Product but this is irrelevant for India as only the top 1.50 per cent of the population can afford a car. The demand can shoot up if the income levels of the top 5 per cent continue to rise in future.

³ website www.macquarie.com.au
⁴ A case study on the Indian small car industry( adopted from :www.tapanpanda.com as on 03/09/2012)
It is stagnant at 1.70 cars per 1,000 people for decades. However, in the post-liberalization period, the motorization level has leaped to 3.70 cars per 1,000. Although it is still lower than the levels in the developed markets, motorization is bound to rise further in the coming years.

Traffic congestion and bad roads could deter potential buyers from going for small cars particularly in small cities of India. The future is not very heartening in this aspect. The market will consolidate to few segments. The carmaker has to make diverse models based on diverse and flexible platforms. Products like the stripped-down economy car, the sports utility vehicle or the van should be built on the same platform. For the price-sensitive customers, there can be a no-frills version; a loaded version for the middle customer and luxury car manufacturers can target the high-end customers.

Considering the marketing segmentation in automobile industries in India from the review of literature based on the mean value the existing parameter of segmentation in Indian automobile industries are:

*Price, number of seats, value for money, fuel efficiency, style, parking (size of the vehicle), Convenience and brand name*
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