5.1 **Market segmentation**: One of the fundamental principles of marketing is the concept of market segmentation. Sometimes it is referred to be as one of the potentially most creative areas of marketing. Therefore, what is it, why is it important and how has it changed in a web enabled world? The starting point as ever is the Chartered Institute of Marketing's definition of marketing: “The management process responsible for the identification, anticipation and satisfaction of customer needs profitably.” While this definition lacks certain verve, it does contain considerable food for thought. Putting it bluntly, no one company can satisfy the needs of all of these potential customers. This is the first justification for segmentation. The second justification is a function of supply and demand. In a world where there is a shortage of supply, segmentation is unnecessary, as people will take whatever they can get. Conversely, when supply exceeds demand and people have a choice the product offer which best matches their needs will be chosen. The third justification is plain common sense. If you can target a group of customers, your marketing is likely to be more effective as your product offer is designed to meet the sole needs of that group. Your product offer is no longer, a one size fits all solution.

5.1.1 **Geographic Segmentation:**

As the name suggests, this is the segmenting a geographic landmass into subsets. The vast majority of organisations use this type of segmentation usually without consciously knowing that is what they are doing. The basis or validity of
this method is that people with similar socio economic, cultural and lifestyle characteristics tend to congregate in the same geographic location. Consequently, the postcode of an individual can reveal characteristics that differentiate that person. Geographic segmentation is easy to define, measurable and information is readily accessible. Most of the FMCG companies segment the market on geographically based on the following:

a) **Location:** They divide the whole market into various countries, continents etc. One product is marketed in one country and another for another country. E.g. in India, Unilever along with Colgate & Palmolive offers only basic variants of their toothpastes, whereas a large variety of toothpastes can be seen in American or European countries. Similarly, one product for one continent and another product for another continent. Further, within a country, they further divide the whole market into various regions like north, south, east and west. In the case of most of the eatables, HUL and ITC both try to segment on the basis of region, like Punjabi Masala soups and chips for the north etc.

b) **Density:** The FMCG companies try to segment the market based on its density. They divide the whole market into three segments rural, urban and metro. HUL’s Wheel detergent tends to capture rural and semi urban market whereas Rin and Surf Excel are being promoted to capture urban and metros. ITC has its various bath care products for various segments like Essenza di Wills for metros and Urban, Fiama di Wills for mostly in urban areas and Superia for most of the rural areas.
c) Distribution channels: This is the technique of segmenting the whole market based on its distribution system. ITC is mostly seen using this technique. Essenza di Wills is being distributed at ITC hotels and Wills Life Style stores whereas Vivel di Wills is also made available at John Player’s Showrooms. Superia is promoted for E Choupal for rural reach.

d) Climate: Next, they try to segment the whole market based on the specific climate. One product for a particular climate and another type of product for another type of climate. HUL offers its ponds for various climates like Ponds cold cream and moisturising lotion for winters or cold areas and Pond’s sunscreen lotions for summers or for hot areas.

5.1.2 Demographic Segmentation

Demography is the study of populations. In demographic segmentation, a given market is subdivided on the basis of demographic variables. This is the most widely used method by FMCG companies for segmenting the market as it gives most widely coverage of the area with high level of satisfaction for each segment. This is also an easy basis to understand and use. The demographic variables include such as:

a) Age: This is the most widely used method for segmenting the market based on the age for the respondents. So, FMCGs companies offer different products for different age groups. HUL has Pears and Dove to offer to teenagers and young people. While, Lux is promoted for young people only, whereas, Lifebuoy is promoted for a rational family person. Similarly, Johnsons and Johnsons offer products for infants and small child. ITC’s
Fiama di Wills is promoted for young women. Similarly, Colgate has Colgate Gel to offer for young people where as Colgate Total is being promoted for all age groups.

b) **Gender:** This is the technique of dividing the whole market into two groups i.e. Male and Female. Every FMCG company tend to offer different product for both male and female. The very famous in this segment is the HUL’s Fair & Lovely and Fair & lovely for men. Earlier, Dove was promoted for only women now HUL has also came up with Dove men to offer various products to men. ITC’s Essenza di Wills and Fiama di Wills are being only promoted for females.

c) **Income:** This is one of the most used methods of segmentation, in which, the FMCG companies tend to segment the whole market based on income of the customers. Means, they divide the whole market into lower income segment, middle class and upper class. They offer various products for the various segments based on their income level. HUL has Breeze and Lifebuoy for the lower income level, Lux for the middle class and Dove and Pears for the upper class in the bathing soaps. It has Wheel detergent for lower income group, Rin for middle class and Surf Excel for higher Income group. ITC has Essenza di Wills for higher Income, Fiama Di Wills for middle level people and Superia for lower income group. Similarly, HUL has Taj Mahal tea for higher income group whereas Taaza tea for lower income group people.
d) **Lifestyle:** FMCG sometimes tend to segment the whole market based on lifestyle of the people. Like ITC offers Essenza di Wills for the luxury seeking people and Superia for the value for money seeking people. HUL promote Taj Mahal tea for the status and quality-seeking people whereas Lipton and Brooke Bond for the people who put value of money first.

e) **Family life cycle:** Sometimes, FMCG companies tend to segment the whole market based on life cycle of the family i.e. one single person to a parent stage. HUL has dove and pears to offer to a single person whereas it has Lux for young aged and lifebuoy for the whole family. Like Pepsodent, toothpaste is being promoted for whole family.

### 5.1.3 Psychological Criteria

Psychological criteria used for segmenting consumer product and service markets include using attitudes and perceptions (e.g. negative feelings about fast food), psychographics or the lifestyles of customers (e.g. extrovert, fashion conscious, high achiever), and the types of benefits sought by customers from products and brands and their consumption choices.

a) **Psychographics:** Psychographic approaches rely on the analysis of consumers’ activities, interests, and opinions, in order to understand consumers’ individual lifestyles and patterns of behaviour. Psychographic segmentation includes an understanding of the values that are important to different types of customers. A traditional form of lifestyle segmentation is based on customer Activities, Interests, and Opinions. These provide useful insight into what makes people ‘tick’. The consumers can be further classified into the following types of
lifestyle categories: belonger, survivor, experimentalist, conspicuous consumer, social resistor, self explorer, and the aimless.

b) **Benefits Sought:** The root of this approach to market segmentation lies in the idea that we should provide customers with exactly what they want, not based on how we design products and services for them, but based on the benefits that they derive from the goods/services that they use. This may sound obvious but consider what the real benefits, both rational and irrational, are of different goods and services that people derive from something you have bought recently. For example, ITC has three-bath range Essenza di Wills, Fiama di Wills, and Superia. The basic function is the same for the three, but people tend to be different in the benefit they see from the product. Essenza di Wills sought to care the skin apart for the basic concept of bathing, whereas, Superia for those whom it is just a matter of bath. In the same context, HUL also has Dove, Lux to breeze that tend to segment the market based on the benefit sought from them.

5.1.4. **Behavioural Criteria**

Product related methods of segmenting consumer goods and service markets include using behaviouristic methods (e.g. by product usage, purchase, and ownership) as bases for segmentation. Observing consumers as they utilize products and media can be an important source of new product ideas, and can lead to ideas for new product uses or product design and development. Furthermore, new markets for existing products can be indicated, as well as appropriate communication themes for product promotion. Purchase, ownership, and usage of
products and media are three very different behavioural constructs we can use to help profile and segment consumer markets. Behavioural Segmentation attempt to group individuals based on their actual actions:

- End use what is the product to be used for?
- Benefits sought.
- Usage rates heavy, medium and light
- Loyalty

5.2 Market Targeting Strategies: After segmenting the whole market into various segments, next question comes is how many segments to target. The following strategies are mostly followed by the most of the FMCG companies to target the customers:

a) Single segment concentration: The Company may select a single segment. E.g., ITC’s Essenza di Wills personal care is being used to target luxurious people whereas ITC’s Superia bath products are being marketed in rural markets only. Through concentrated marketing, the firm gains a strong knowledge of the segment’s needs and achieves a strong market presence. Furthermore, the firm enjoys operating economies through specializing its production, distribution and promotion. Is it captures segment leadership; the firm can earn a high return on its investment. However, concentrated marketing strategy involves higher than normal risks. A particular market segment can turn sour. For that, many companies prefer to operate in more than one segment.
b) **Selective Specialization:** Here, a firm selects a number of segments, each objectively attractive and appropriate. There may be little or no synergy among the segments, but each segment promises to be a moneymaker. This multi-segment coverage strategy has the advantage of diversifying the firm’s risk. Like ITC’s Superia, bath products tend to attract rural as well as low-income group.

![Figure 5.1 Single segment concentrations](image1)

![Figure 5.2 Selective specialization](image2)

c) **Product Specialization:** Here, the firm specializes in making a certain product that it sells to several segments. Like HUL’s Lux bathing soap, it is being marketed for all income level groups. Through a product specialization strategy, the firm builds a strong reputation in the specific product area. The downside risk is that the product may be supplanted by an entirely new technology.
d) **Market Specialization**: Here, the firm concentrates on serving many needs of a particular customer group. Like for the lower income level group HUL has variety of bath products that ranges from Lifebuoy, Breeze and Rexona. By this, the firm gains a strong reputation in serving this customer group and becomes a channel for further products that the customer group could use. The downside risk is that the customer group may have its budget constraints.

![Figure 5.3 Product specialization](image)

![Figure 5.4 Market specialization](image)

e) **Full Market Coverage**: Here, a firm attempts to serve all customers with all the products they might need. The full market coverage involves two strategies: undifferentiated marketing and differentiated marketing.
In *undifferentiated marketing*, the firm ignores market segment differences and goes whole market with one market offer. It focuses on a basic buyer needs rather than on differences among buyers. It designs a product and a marketing program that will appeal to the broadest number of buyers. Like ITC’s Bingo, namkeen is marketed regardless of any segmentation, same way HUL’s soup range is being marketed without any specific segmentation.

In *differentiated marketing*, the firm operates in several market segments and design various programs for each segment. This is the mostly used techniques by all of the FMCG companies.

### 5.2.1 Key targeting strategies of the HUL:

HUL divide the customers into three types of the customers: striving, aspiring and affluent and make targeting strategies accordingly. They are as follows:

**a) Personal Care:** HUL targets different types of customers with different set of bath products. For striving customers, it offers Lifebuoy and Breeze, for aspiring, it offers Hammam and basic Lux variants and for affluent customers, it has Pears, Dove and superior range of Lux.
Figure 5.6 HUL strategy pyramid for personal care products

**Key strategy:** To straddle the pyramid and move consumers up to more aspirational brands. Grow share by growing ahead of the Market

b) **Detergent:** In case of detergents, it offers Wheel for striving customers, Rin for aspiring customer and Surf Excel for affluent customers.

Figure 5.7 HUL strategy pyramid for Detergents

**Key Strategy:** Work the pyramid; Grow profitably ahead of the market; regain profitability through judicious price increases and cost effectiveness programmes
c) **Hair Care:** HUL offers Clinic All Clear and Dove to the Affluent customers, Sunsilk to the aspiring customers and Clinic Plus to the Striving Customers.

![Figure 5.8 HUL strategy pyramid for Hair Care products](image)

**Key Strategy:** Work the Pyramid; convert non-users & increase penetration; upgrade the existing users to aspirational brands

d) **Tooth Paste:** HUL offers Close Up to affluent, Pepsodent to aspiring customers, whereas, it offers both brands in smaller packing for the striving customers.

![Figure 5.9 HUL strategy pyramid for Tooth Paste](image)

**Key Strategy:** Grow with market with the our brands Close Up on freshness platform and Pepsodent on family & health platform
e) **Tea:** HUL has different tea varieties for the different segments. For affluent customer, it offers Taj Mahal and Lipton Yellow Label. For aspiring customers, it has Red Label, whereas, for the striving customers, it has Taaza tea.

![Figure 5.9 HUL strategy pyramid for Detergents](image)

**Key strategy:** Presence across the pyramid; drive up trading of consumers; Convert loose tea drinkers to packet tea consumers

### 5.2.2 **Key targeting strategies of ITC**

ITC has different targeting strategies for each of its brands. They are based on six mantras, they are:

a) **Segmentation:** Creating brands from scratch with no history and lineage, ITC used clear segmentation across its five product lines and the target audience, each brand was meant for.

b) **Group synergy:** Once the five products were created and communication strategies set, ITC leveraged its properties like hotels, foods and apparel store network to retail these brands
c) **Communication strategy:** Like HUL, these brands sport Western names, and different communication. Essenza & Fiama, meant for the elite, have English communication, while Vivel & Superia use Hindi.

d) **Brand extensions:** Selective extensions as it do not want to confuse consumers with too much irrelevant brand extension & sub brands. The Essenza range is the only exception.

e) **Brand ambassadors:** ITC uses brand ambassadors strategically. While for the Fiama and Vivel ranges, it has roped in brand ambassadors, for the Superia & Essenza ranges the key target group is the real king.

f) **Packing:** Since packaging plays a key role in product differentiation, ITC uses it to the hilt. It has taken foreign experts’ help to make it’s products stand out from competition.

Individually, the key strategies of ITC are as follows:

a) **Strategy for Essenza di Wills:**

- **Segmentation:** Essenza, as the Western name suggests, targets the luxury seeking elite
- **Group synergy:** Basically, being distributed through ITC hotels and Wills Lifestyle stores
- **Communication strategy:** Gender neutral, mostly in English, and a bit of French— the language of the super elite
- **Brand extensions:** Instead of brand extensions, it has sub brands like Inizio, Aqua and Mikkle
• **Brand ambassadors:** No brand ambassadors. The target group do the role as they are very individualistic and are super achievers.

• **Packing:** Manufactured in France, the Essenza packaging has an international appeal

b) **Strategy for Fiama di Wills:**

• **Segmentation:** It tends to target the young, urban, aspirational women. Its core target group is the upper and mid segment urban consumers.

• **Group synergy:** Besides, being retailed at departmental stores, it is also present at Wills Lifestyle stores, & ITC hotels

• **Communication strategy:** Mostly, it has communication in the language of the young urban woman professionals i.e. English, which is aspirational in nature.

• **Brand extensions:** It has been cleverly leveraged in the shampoos, shower gels, soap and conditioner categories

• **Brand ambassadors:** Sophisticated, young, having arrived & beautiful Deepika Padukone is used to further the brand recall

• **Packing:** It has premium packaging to compete with Dove. It has been designed with the help of American packaging experts.

c) **Strategy for Vivel di Wills and Vivel:**

• **Segmentation:** It has been clever targeted: Vivel Di Wills for the upper middle class and Vivel for the popular mid segment.
• **Group synergy:** Retailed at John Players stores, besides ITC’s traditional distribution channels

• **Communication strategy:** It has communication in Hindi & English to cater to both upper middle & popular middle class.

• **Brand extensions:** Vivel & Vivel Di Wills a clever way to target the ‘Lux’ consumers of yore

• **Brand ambassadors:** Kareena Kapoor is the brand face thanks to her popular mass and class appeal

• **Packing:** Vivel Di Wills has a more premium packaging, but Vivel has a different packaging

d) **Key strategy for Superia:**

• **Segmentation:** Superia is the mass brand from the ITC stable, catering to lower income and rural segments like a Lifebuoy does

• **Group synergy:** Retailed through ITC’s distribution channels across the hinterlands, especially the E Choupal for rural reach

• **Communication strategy:** Being a mass brand, it caters to segments where aspirations are low, and family is very close nit. The brand has a family oriented communication strategy too

• **Brand extensions:** Superia has four soap variants and three shampoo variants which take on the likes of Clinic All Clear, Lifebuoy, Breeze, Godrej No1 etc

• **Brand ambassadors:** No popular brand ambassador; the focus is on the target audience, which is the low income families
• **Packing:** The only brand which is available in sachets, Superia has colourful packaging, which is common among mass brands

**5.3 References:**