

Business Development From Start to Scale
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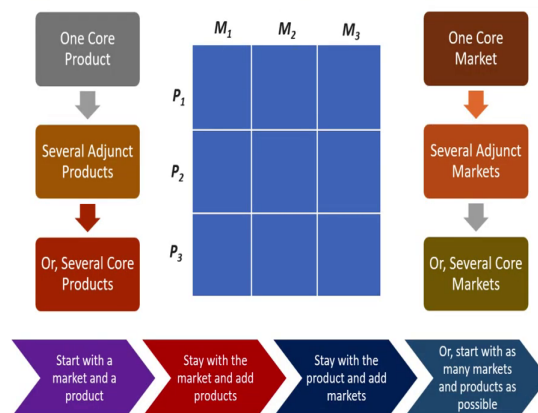
Week - 06
Business and Market Segments
Lecture - 28
Product-Market Segmentation

Hi friends, welcome to the NPTEL course Business Development from Start to Scale, we are in Week 6 with the theme of Business and Market segments. In this lecture the 28th in the series we consider the topic of Product-Market Segmentation.

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Long Range Product-Market Expansion Strategy

Long range product-market expansion strategy can be pursued under several routes as suggested below.



The route(s) to be taken depends on the strength the company has in terms of core product(s) and core markets.



We have in the past two lectures considered several examples of product description, market description and the variables impacting the segmentations. We will consider those aspects in further details with additional examples in this particular lecture. We can pursue as companies long range product market expansion under several routes these are suggested below.

You can have products 1 2 3 in fact, Mth number of product is also possible similarly there could be market segments market segment 1 2 3 and in fact, the Mth number of market segment also is possible, but there is a logic by which we should develop the product market expansion. We should start with a market and a product stay with the market, prove the product, expand the market and then add products. There is also another way; you stay with the product and add markets and fourth if you have deep pockets or huge resources start with as many products and as many markets as possible.

So, the best way which a successful company would methodically follow is that of one core product, several adjunct products and then several core products these are the options available. Similarly, in respect of market you can start with one core market, several adjunct markets or several core markets.

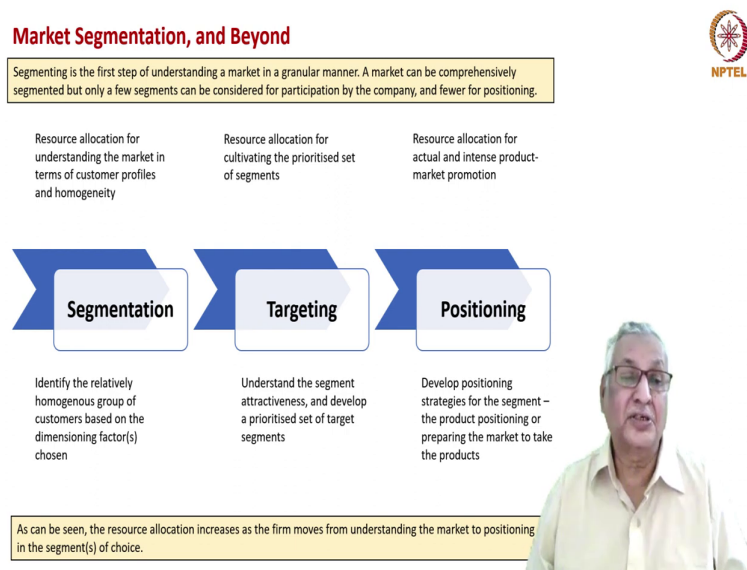
In the edible oil industry, we have two companies one company is Kaleesuwari Refinery Private Limited, another company is Gemini Edible Oils and Fats Limited, Gemini has Freedom as its primary brand and Kaleesuwari as 'Gold Winner' as its primary brand. Interestingly both the companies started with one core product and in one core market Gold Winner dominated with its sunflower oil brand in Tamil Nadu market.

The brand was built as Gold Winner in that market and the company achieved almost 75 percentage of its turnover from that market last year. It added adjunct markets Karnataka, Kerala, Andhra Pradesh, Telangana, Maharashtra and Odisha which are the main sunflower oil consuming states, but not to the same extent as it has been able to achieve in Tamil Nadu.

Similarly, Gemini with its Freedom brand started with AP and Telangana again with sunflower oil as the core product, but added several adjunct products such as the palm oil product and other products such as rice bran oil. Now, the strategies are similar to the extent that every successful company would have one core product and one core market at least to start with.

The strength of the company in terms of the resources it has in terms of the talent base it has of course, determines the number of core products and core markets that the company can aim at.

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Beyond market segmentation there is lot more that could happen segmentation is only the first step of understanding a market in a granular manner. A market can be comprehensively

segmented, but only a few segments can be considered for participation by the company and even fewer for positioning.

This is the STP concept which alluded to earlier. In the segmentation area we identify the relatively homogenous group of customers based on the dimensioning factors that we have chosen. And once you do that you do the resource allocation for understanding the market in terms of customer profiles and homogeneity right.

These two are interlinked, you allocate the resources to understand the homogeneity and when you identify the homogeneity you start developing products for that, but then once that homogeneous segment is identified you dedicate more resources for cultivating the prioritised set of segments, understand the segment attractiveness and develop a prioritised set of target segments.

Then you position for intense product market position, you allocate resources for actual and intense product market promotion, then you develop positioning strategies for the segment, the product positioning or preparing the market to take the products. Now, let us take the consumer electronics music systems as an example.

y\You want to understand the market for the consumer electronic products and therefore, you conduct a market research and identify that youngsters, the college going people, the home residents, they are all customers for the consumer electronics products, some are serious consumers of those equipment and some are often consumers and some are rare consumers.

But the market segment is itself homogenous in terms of the overall family disposition, but when you develop a speaker system you specifically target a particular part of that segment based on the what is they require and the kind of boom effect or the burst effect that is expected of that party music wear so that is the targeting portion.

Then you try to understand whether it is worthwhile to develop such a targeted music system for such a targeted market segment and you can segment the entire consumer electronics music system market based on such segmentation and targeting. But once you know that this

is my prioritised target you do the resource allocation for actual and intense product market promotion.

Then you position this product as the best for the millennials for their weekend parties or for weekend get together, it will also be seen as the best for business get togethers or wedding parties and so on. See the resource allocation increases cumulatively as the firm moves from understanding the market to positioning in the segments of choice that is how market segmentation goes further in terms of actual product positioning.

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Targeting Strategies

A firm may choose one of the three strategies of target marketing, consistent with the overall generic competitive strategy that the firm has. The characteristics of the three strategies are as below.



Niche Market Strategy	<ul style="list-style-type: none">• Serving one or more segments that require specialised features and benefits• While rice may cater to many segments, low glycaemic index rice would serve a niche market
Mass Market Strategy	<ul style="list-style-type: none">• One approach would be to pursue a product strategy that appeals to the widest market possible• Another strategy could be to position as many products as possible to as many markets as possible
Growth Market Strategy	<ul style="list-style-type: none">• This strategy evaluates the segment based on its growth potential rather than the current status• Works very well with products of new technology or disruptive marketing

Marketing strategy cannot be structured in isolation. It needs a robust product and operations strategy to back



What are the targeting strategies that are available? There are three strategies that are available and they have some kind of relationship with the niche competitive strategy that the firm is pursuing. The characteristics of the three strategies are as below the first is the niche

market strategy that is serving one or two more segments that require specialised features and benefits.

The development of a 7 seater product is a kind of niche market strategy because it offers certain off road capabilities it offers 7 seater capability, it offers high power and talk, it serves the family for their weekend movements. Similarly, rice caters to many segments, but low glycemic index rice would serve a niche market, unpolished rice would serve a niche market.

Next, we have the mass market strategy you can also have a strategy which pursues a product strategy that appeals to the widest possible market. It could be a multi flavor coffee pack which could appeal to as large a number of customers or coffee drinkers as possible and how does this multi flavor capability come.

The base product is the same, but they will be blended with different levels of chicory towards the end product level and that provides one generic product, but spread into lots of segments covering the entire market of coffee drinkers just based on the fact that from pure coffee to 60 percentage chicory you can have a wide range of chicory mixing strategies and therefore, you cover as many market segment as possible with as many products as possible while economizing on the basic product that is pivoted for the market.

Then you have the growth market strategy, you evaluate the segment based on the growth potential rather than the current status. You look at again in the edible oil industry, should I look at sunflower oil per se or should I look at blended oils because the science is telling us that it is better to have blended oils or have oils in rotation should we therefore, have more types of blended oils sunflower oil with olive oil, sunflower oil with groundnut oil, sunflower oil with rice bran oil and so on.

This kind of strategy works very well with products of new technology or disruptive marketing you can have one type of edible oil with different kinds of nutrients could be between A, D, E between K and various other novel nutrients, which have not been thought about, but the key aspect should be that the nutrient should retain its basic nutritious

capability even when it is at high heat that is the technology that is going to differentiate one product from the other.

So, niche market strategy, mass market strategy and growth market strategy and this marketing strategy cannot be structured in isolation it needs a robust product and operation strategy to back it up because technology is involved in how we define manufacture and offer the products.

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Examples of Markets

Marico, for example, has three clear distinct markets it addresses – all oriented towards meeting family needs. These are distinct markets because they are not in substitution of each other.



Hair Nourishment

Male Grooming

Family Foods

The company considers all the three markets as important – a reason why it resorted to acquisitions in each segment.



Let us look at one important example from Marico it has three clear distinct markets it addresses all are oriented towards meeting the family needs. These are distinct markets because they are not in substitution of each other they have a range which is called hair nourishment range, then you have a male grooming range and there is a family foods range.

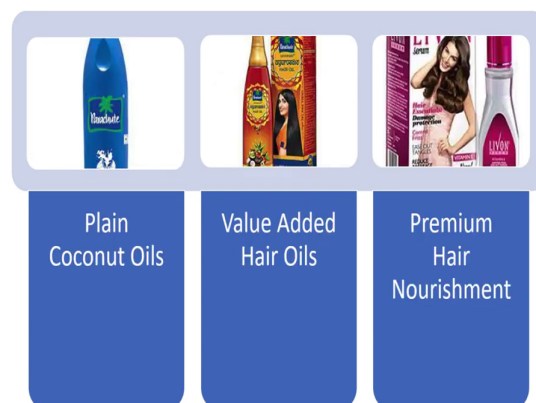
The company considers that all the three markets are important and the reason why it resorted to acquisitions in each segment is because of the importance it address. At one point of time the company had around 70 percentage of its turnover coming in from the parachute coconut oil, but the company has been quick to realize that dependence on one single product even if the market is national is not going to aid the profitability or the growth of the company.

So, within each segment it brought out newer and newer varieties and as I said certain segments have been brought in adjacency with the existing hair nourishment segment. So, hair nourishment and family foods were the early brands product categories, male grooming came as the third category.

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Segmentation in Hair Nourishment

Within the hair nourishment market, three clear segments are identified and developed by Marico as below.



The enhancement of product range at Marico was a culmination of continuous segmentation of its markets.



And within the hair nourishment segment we had plain coconut oils, we had value added hair oils and we had premium hair nourishment tonics. The enhancement of product range at

Marico was a culmination of continuous segmentation of its markets. In the previous lecture on Marico, which considered various product strategies and business strategies of Marico I pointed out how it studied the hair oil market and came up with the pre-wash and post-wash categories of coconut oil and has been able to get at least 12 oils well positioned in both these segments.

The study of the end usage patterns and the expectations of the consumers is essential for meaningful market segmentation and therefore, meaningful product development, this is a classic example of that.

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Strategic Marketing and Corporate Strategy Link

When Strategic marketing is clear about the long term evolution of market and its segments, business or corporate strategy fulfils the objective through organic and/or growth initiatives. Marico could see such alignment.



The linkage between strategic marketing and business strategy is explicit in the business strategy adopted by Marico



The link between strategic marketing and corporate strategy are between business development and corporate strategy is pretty evident, business development is very clear about the long-term evolution of market and its segment whereas, business or corporate

strategy fulfills that objective through organic and or growth initiatives. Marico could visualize and also achieve such alignment.

So, it started with coconut hair oils then moved into skin care then moved into well grooming, then moved into healthy foods, then moved into hair nourishment, then moved into hygiene not necessarily sequential, some have overlapped with each other, but the linkage between strategic marketing and business strategy is very much explicit in the way the strategy has been constructed brick by brick over time.

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Segmentation in Hair Shampoos – Facile?

As with hair oils, hair shampoos as a market can be segmented based on the basic purpose and use of shampoos.



Anti-Dandruff Anti-Hair Fall Pro-Silk Hair Pro-Shiny Hair

These are not necessarily mutually exclusive hair shampoo segments. There is no hard and fast rule that those who have dandruff would not have hair fall. Nor that someone does not want both silky and shiny hair.

An innovative product can merge the segments in such a case



Segmentation should be based on strategic considerations that imagine the likely future evolution in customer ne

Each segmentation facile as with hair oils, hair shampoos as a market can be segmented based on the basic purpose and use of shampoos. Once upon a time there used to be only one type of shampoo for any type of hair, but today we have shampoos that are designed for anti-dandruff usage, anti-hair fall usage, pro silk hair and pro shiny hair as example.

These are not necessarily mutually exclusive hair shampoo segments. There is no hard and fast rule that those who have dandruff would not have hair fall. Similarly, there is no rule that those who have hair fall do not want silky hair. It is possible somebody may want both silky hair as well as shiny hair. The most innovative product would be one that will mesh the segments in such a case and that requires technology.

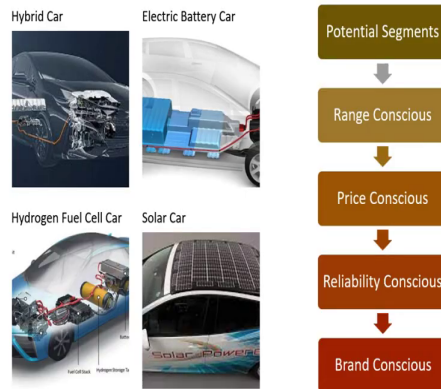
So, strategic considerations are important in designing a product should the company design one magic product that will cover all the segments will it lead to higher market penetration, higher volumes and higher profitability a question mark or is it better to develop segmented products for segmented market.

So, that the sum of the parts is less than the whole or put differently the hole that arises from some such some of the parts is definitely larger than a single product, which has all the characteristics of these products and that is where corporate strategy, strategic marketing and business development along with technology must work together to derive the right kind of product segmentation for the overall market that is the challenge and opportunity in market segmentation.

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Product Driven Segmentation

Customers who seek zero emission cars constitute a new emerging market. In that, product characteristics which influence could significantly vary and define different market segments, consequently.



When technology is under evolution, segmentation may keep evolving on multiple dimensions till steady state is reached.



There is certainly product driven segmentation; customers who seek zero emission cars constitute a new emerging market, they have nothing to do with the conventional automobile market segmentation, they prefer clean mobility in that product characteristics which influence could significantly vary and define different market segments consequently.

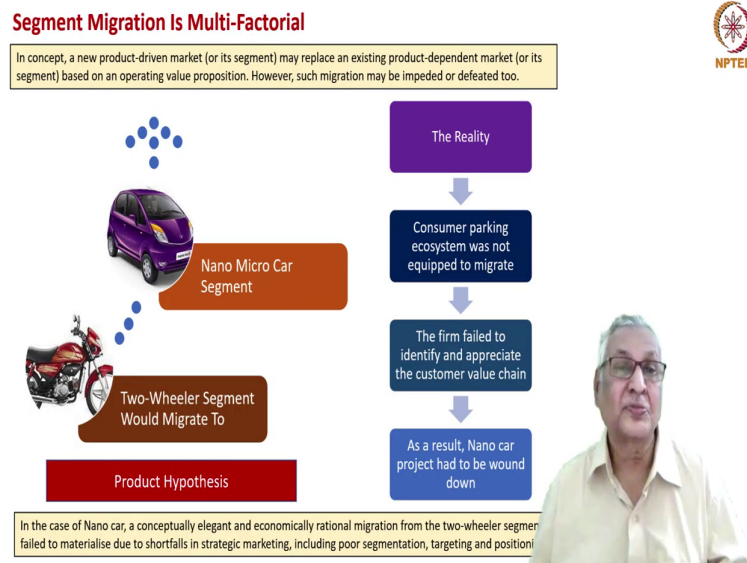
People may choose a hybrid car, people may choose electric battery car, people may choose a hydrogen fuel cell car and people may choose a solar car. Now, the risk-taking propensity or the waiting time propensity of a consumer will vary, hybrid cars are more readily available and they are more proven. So, one set of customers who want relatively clearer mobility, but also the assurance of a well-tested and well proven product easily available would prefer a hybrid car.

On the other hand, people who believe that electric battery is the most important aspect of electrification would take electric battery car even if there are issues of range and charging. Then there would be people who will think that hydrogen fuel cell car is in fact, even cleaner mobility option because you do not have the kind of cobalt and lithium-ion related aspects that a battery car would have, they would therefore, wait for a hydrogen fuel cell car until it comes on stream and proves itself.

Then the people who are excited by the latest in technology would prefer a solar car. Now, the potential segments if you wish to consider in the clean mobility segment would be those who are range conscious, those who are price conscious, those who are reliability conscious, those who are brand conscious.

When technologies and revolution segmentation may evolve on multiple dimensions till the steady state is reached when the judgment is out on a techno-economic basis as to which is the right configuration for a clean mobility population of cars in what proportion would the demand stabilize and there would be clear favoring of segments based on the individual preferences of the customers and that is how the markets evolve when products drive segmentation.

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Segment migration also happens and segment migration happens in a way that is visible for us in our day-to-day life, somebody starts the career with a motorcycle then after 5 or 10 years one would migrate to a small car and after 10 years or 15 years one would migrate to mid-sized car and when he becomes a senior leader, he would migrate to a luxury car. In concept a new product driven market or its segments may replace an existing product dependent market or its segment based on an operating value proposition.

However, such migration may be impeded or defeated too we have a classic product hypothesis, the hypothesis said, but that people travel hazardously on a two wheeler in India a family of two adults and two children travel typically on a two wheeler more particularly a scooter two wheeler.

And that is considered dangerous therefore, the product hypothesis is that if you offer a small car or a micro car which can seat comfortably four people that would be a runaway hit and it would migrate the two wheeler commuters to the Nano micro car and that is the excellent product hypothesis that supported Nano car development.

However, in reality that did not materialize, there are marketing reasons why it did not materialize. There are also certain customer value chain related reasons why it did not materialize, the reality is that in this entire market migration paradigm consumer parking ecosystem was not considered. The consumer parking ecosystem of two wheeler users was not fit enough to accommodate an equivalent number of micro cars there are just was no parking space.

The firm failed to identify and appreciate the customer value chain Tata motors for all its engineering virtuosity fail to accommodate this concept of marketing value system. They did not have that marketing savvyness to understand whether the product can in fact, be used for stocking in the family situation and that was the biggest failing as a result Nano car project had to be wound down.

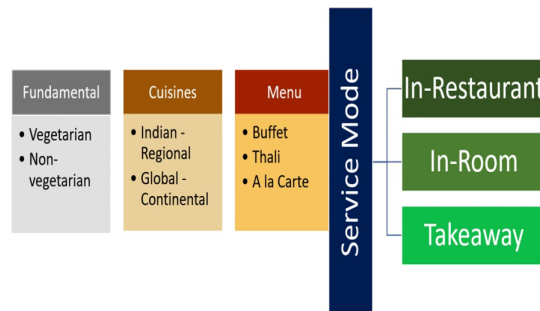
In the case of Nano car a conceptually elegant and economically rational migration from the two wheeler segment failed to materialise due to shortfalls in strategic marketing, including poor segmentation, targeting and positioning. This is a valuable lesson for the marketers who would like to market strategic movement from one type of product to another type of product as a seamless possibility.

But in reality it is not as seamless as it is imagined. The customer value chain also must migrate in a similar proportionate and commensurate fashion that is the important requirement of segment migration and this is the important feature of segment migration it is in fact, multifactorial.

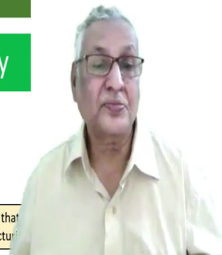
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Flexible Segmentation

When the product mix is adaptive and multi-faceted, as in the case of cuisines in the food restaurant, market segmentation can be equally dynamic – in fact, it could be an effective role modelling of strategic marketing.



Personalisation of menu has been one of the strong points for successful restaurant marketing. There are cues that arise from such marketing models for a wide range of products, if the strategy is supported by flexible manufacturing.



Therefore, how do you do segmentation that could be dynamic, flexible but at the same time yield certain results. When the product mix is adaptive and multi-faceted as in the case of cuisines in the food restaurant, market segmentation also can be equally dynamic in fact, it could be an effective role modeling of strategic marketing.

Fundamentally, two types of cuisines are possible vegetarian, non-vegetarian, it could be Indian regional or global continental and the menu could be buffet, a thali, a la carte, the service mode could be in restaurant, in room, takeaway.

So, the base in ingredients can be deployed in different fashions, so that all these requirements are met with appropriate delivery vehicles. Personalisation of menu has been one of the strong points for successful restaurant marketing. There are cues that arise from

such marketing models for a wide range of products, if the strategy is supported by flexible manufacturing.

It is not that flexible segmentation is possible to be implemented only in such food related areas. I have earlier pointed out to the AVTR range of commercial vehicles developed by Ashok Leyland. The idea of AVTR modular platform trucks was that the customer should be able to choose the kind of configuration the customer needs depending upon the operating conditions that exist in his area of operation.

So, there were several choices that are available in terms of engines, transmission systems, the load bearing capacity, the cab systems and so on. The operator had to only input the operating conditions and then get a vehicle configurations which could possibly suit that and he had the choice to select one of that and take advice from the company and fix oneself on the final product profile and that is modularity in truck development and truck manufacture which of course, comes with a cost to the company as well as to the operator.

However, it achieves manufacturing flexibility and manufacturing standardization to a great extent. So, flexible segmentation is possible in several sectors and in several segments, it is possible in food, it is possible in consumer electronics, it is possible in personal vehicles, it is possible in commercial vehicles.

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Beverages Market

The market for beverages comprises multiple beverages, of which some are relatively homogeneous and some are relatively heterogeneous. However, each heterogeneous segment is not necessarily a standalone segment.

To the extent that the users are devoted to either coffee or tea, these constitute two distinct segments. Within tea, while segmentation may be seen as above, it is susceptible to product manipulation. The tea products can be presented in multiple combinations.

Corporate business strategy in these groups focuses on one market segment each (for e.g., Tata Coffee and Tata Tea as two separate business verticals). The reason lies also in the distinctiveness of the supply chain, from plantation to packaged beverage.

The above example brings to the fore the importance of linking marketing strategy to corporate strategy.



Let us take the example of beverages, as we know the market for beverages comprises multiple beverages and some are relatively homogeneous while some are relatively heterogeneous. However, each heterogeneous segment is not necessarily a standalone segment. We have coffee, tea, colas, sodas, fruit, alcoholic beverages, tea itself could comprise black tea, green tea, herbal tree, alcoholic beverages could comprise wine, vodka and beer.

To the extent that the users are devoted to either coffee or tea, these constitute two distinct segments. Within tea, while segmentation may be seen as above, it is susceptible to product manipulation. The tea products can be presented in multiple combinations which probably is not the case with coffee as a pack. However, coffee can be served in different configurations

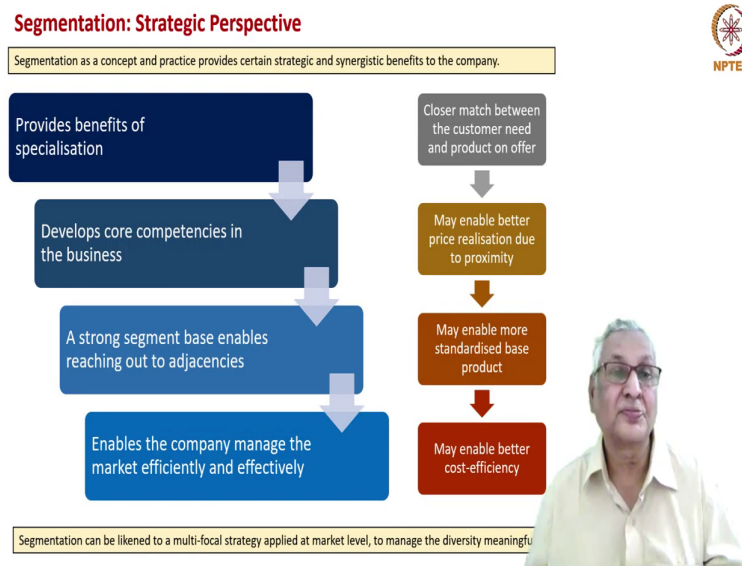
such as hot coffee, espresso coffee, single shot latte, double shot latte as also cold coffee, ice cream coffee several other methods.

So, the coffee powder could be standard, but the amalgamation of the coffee powder into different adjuncts additives could be different. Similarly, wines, vodkas, beers, represent different types of alcoholic beverages that go with different tastes as well as with different occasions.

Corporate business strategy in such product groups focuses on one market segment each. For example, Tata Coffee and Tata Tea are two separate business verticals. The reason lies also in the distinctiveness of supply chain, from plantation to packaged beverage. So, what you see in the marketplace as the heterogeneity of customers and homogeneity of demand.

And apparently commensurate product offering has got diverse sources and diverse supply chains and diverse manufacturing value chains to support. So, it is important to link market strategy to corporate strategy both are very much interlinked as shown in the beverages market.

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So, segmentation has a strategic perspective which we cannot ignore it is a concept and a practice which provides certain strategic and synergistic benefits to the company. First, it provides the benefits of specialization, the fewer the products that are offered to large markets the greater would be the benefits that accrue from specialisation in terms of economies of scale and economies of marketing.

Second it helps develop core competencies in that business as you specialise in one product and have only some variants you develop greater core competency in that business. You study the market well, you serve the market well, you have grip over the operations and manufacturing and achieve higher economics and higher quality.

If you have a strong segment base you can reach out to adjacencies well, as I took the example of edible oil if you have a very strong position in sunflower oil you can go to other

adjacencies such as groundnut oil, mustard oil, gingerly oil then palm oil etcetera. Similarly, if you have a strong edible oil base you can go into other kitchen essential items be it the dairy products, milk products, the milks themselves or readymade yogurt or flours, dals etcetera.

This is the strategy which Adani Wilmar has adopted developed a strong edible oil base and is now moving into different kinds of food products. Marico established a strong base in both health based edible oils as well as hair oils and started moving very broadly into health foods nature cure products and so on.

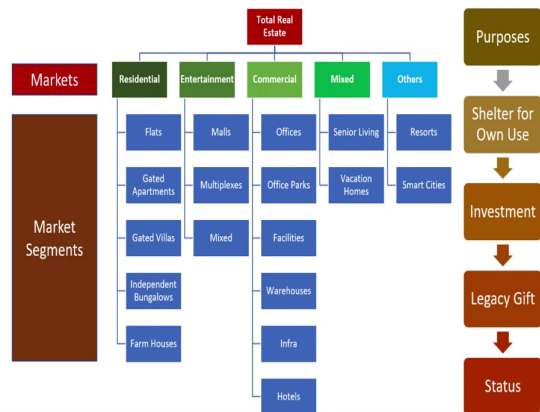
So, the segmentation specialisation has a strong strategic perspective, it enables the company manage the market efficiently and effectively. So, when you have closer match between the customer need and the product on offer it will also enable better price realisation due to the proximity. It may enable more standardised base product and it also will enable better cost efficiency.

So, segmentation can be likened to a multi focal strategy that is applied at market level to manage the diversity meaningfully, nobody suggests that we should be stuck with one product and one market; however, successful that product market combination has been for the company. It is in the interest of the company to move from the core product to core product extensions later on to adjacencies and later on to diversifications that is important strategic perspective, which a very corporate strategist and marketer must bear in mind.

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Real Estate Market

Real estate market is one of the more fascinating examples of market segmentation. A mega market is broken down into specialised markets and is further segmented based on multiple factors.



Real estate is one mega market where the markets and segments are well defined with little latitude to switch, except on strong income considerations. Capital sufficiency dictates the segment attractiveness.



Let us look at the real estate market and see how the segmentation happens it is actually one of the more fascinating examples of market segmentation. A mega market that is known as the real estate market is broken down into specialised markets and is also further segmented based on multiple factors.

So, total real estate universe can be divided or segmented into residential, entertainment, commercial, mixed and other types of real estate. Then you can see it from the market point of view and also from the purpose point of view, when you look at the markets and market segments in the residential vertical you will have flats, gated apartments, gated villas, independent bungalows and farmhouses.

In the entertainment real estate, you have malls, multiplexes and mixed developments of both malls and multiplexes. Then in the commercial segment of total real estate you have offices,

office parks, you have facilities, warehouses, mega stores, infrastructure, multimodal infrastructure, hotels and so on. In the mixed-use real estate, you have senior living, vacation homes at the line and in the other categories you have resorts, smart cities, hotels and various other aspects which are related to hospitality and entertainment.

What are the purposes of these market segments? They provide shelter for own use, they act as investment, vehicles they are treated as legacy gift from generation to generation they also provide status. So, the real estate market which seems to be one universe is very much segmented and sub segmented with several of these segments having different kinds of purposes.

And they vary across families and across individuals. It is one mega market where markets and segments are pretty well defined and there is very little attitude or latitude to switch, except on strong income considerations. Capital sufficiency dictates the segment attractiveness in case of the real estate market.

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Even Internet Social Media Is Geographically Segmented

The World Wide Web is, after all, not so world-wide in spontaneous access - it is by choice and driven by algorithms.

Local Communities
Shared Socio-cultural Needs
Country-specific

Community of friends
Shared information needs
Person-specific

Focuses on the group needs
Enables virality based on cross-links, and not by global access
Usage-specific

Google wanted to operationalise the Circle concept by definition but did not succeed

f LinkedIn Instagram Twitter G+

The above example illustrates that natural agglomeration of needs and their coalescing into a market helps bet

Even internet social media is geographically segmented we all believe that internet is universal and you can access any part of the world, but not so, as far as social media is concerned. Social media is built around your country specific needs, your person specific needs and your usage specific needs.

In the country specific needs, you have the local communities, you have shared socio cultural needs, in the person specific needs you have community of friends, shared information needs. And in the usage specific needs you have the focus on the group needs enables virility based on cross links and not by global access. All of these needs are governed by the algorithm which resides in the social media back end, by virtue of what you access, by virtue of you talk to or follow up with the circle enhances.

And that is how you get universal virality built into your social media platform not by the design of the social media platform, but by the usage pattern and the liking profile, followership profile of you as an individual. So, whether it is LinkedIn, Facebook, Instagram or Twitter you will have circles developed because of the internet-based preferences you display.

Google appreciated this concept therefore, it wanted to operationalise the circle concept by definition rather than as a corollary, but it did not unfortunately succeed. The Google plus which was launched as your own circle of friends, community etcetera did not really click. The above example illustrates that natural agglomeration of needs and their coalescing into your market helps development of market segments in a much better fashion.

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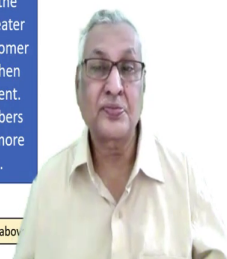
Demographic Segmentation as the Dominant Driver

Given that demographic factors determine the direction and depth of markets, an ability to capture as much homogeneity as possible in the market diversity has served as a success factor for appliances and FMCG companies.



For example, the larger the family, the more the number of earning members, the greater the aggregate earning level, the younger the members, and the more educated the members, the greater would be the customer need for the kitchen appliances segment. The female members may also have a more decisive voice.

There is a significant advantage for a firm in choosing a market segment with wide applicability as illustrated above.



There is also this demographic segmentation that is the dominant driver, demographic factors determine the direction and depth of markets therefore, we should have an ability to capture as much homogeneity as possible in the market diversity, those companies which have been able to capture homogeneity within the diversity have become very successful FMCG companies.

Prestige as an example evolved as a pressure cooker company it saw a universal requirement in the kitchen for a pressure cooker, but it did not stop there, it started getting into mixies, getting into hobs getting into various kinds of juicers and again various types of pressure cookers and also ovens. So, virtually every home appliance that is required in the kitchen has been catered to by prestige over a period of time.


Then the larger the family, the more the number of earning members, the greater the aggregate earning level, the younger the members and the more educated the members, the greater would be the customer need for the kitchen appliances segment. Therefore, a number of factors combined to make demographic segmentation the dominant driver in the kitchen appliance segment.

And the female members will definitely have a more decisive role in the evolving profile there is therefore, a significant advantage for a firm in choosing a market segment with as wide applicability as possible based on the illustration of prestige.

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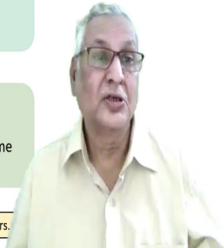
Demographic Sensitivity

Not every demographic variable is applicable for every segment. Products need to be reformatted to suit certain demographic segments. Three examples are presented here.



- Gender**
 - Clothing, cosmetics and such other segments are gender-differentiated
 - Tea, coffee, food items tend to be gender agnostic
- Age**
 - Kids, adults and elders have different food products related to their age and growth levels
 - Staple foods tend to be age agnostic
- Income**
 - All lifestyle products can be segmented based on low, middle and high income classifications
 - Certain public services are made common for all income categories (for example, Covid vaccines)

Demographic sensitivity of a market segment grows in importance as an economy grows in GDP and QoL factors.



So, how sensitive can this segmentation to demographics, not every demographic variable is applicable for every segment products need to be reformatted to suit certain demographic segments examples are presented here. Gender specific demography clothing, cosmetics such other segments are gender differentiated, tea, coffee, food items tend to be gender agnostic.

Age; kids, adults and elders have different products related to their age and growth levels. Staple foods tend to be age agnostic. Income; all lifestyle products can be segmented based on low, middle and high income classifications. Certain public services are made common for all income, categories for example, COVID vaccines.

Now, this iteration of products can be very interesting the health foods started with the need to provide nutrition nourishment to the young kids who require lot of energy and that is how Horlicks, Complan came into being, but as these products got formulated and as the medical

benefits got proven the companies also recognise that adults and aged people require such powdery formulations and that is consistent with their age related deterioration of the chewing function.

Therefore, more products got to be developed for those kinds of adults, now those were very specific nutrition based products developed in much more clinical and much more rigorous medical fashion. And that led to a different kind of product group then it has been again brought back to the young adults because young adults needed more protein, more nutrition customized to their way of living and their way of exercising and therefore, other kinds of powdery formulations came into being and those became useful.

So, one product cluster which started at the kid level progressed to the elder level and again came back to the young adult level. And today we have multiple formulations of powder drinks or powder beverages to different kinds of age groups and that is a classic example of how age could determine product evolution and therefore, market segmentation.

I have already talked about how tablet medicines are getting reformulated into gummies so that they could be more appealing to the young kids. Staple foods; however, tend to be age agnostic, rice is a rice in whichever format you use, but the format differs to make to acceptable for different generations and different age groups.

Income all lifestyle products can be segmented based on low middle and high income classifications; however, certain public services are made common for all income categories. For example, COVID vaccines, which are supplied free of charge or such another products which are provided at nominal service cost.

Demographic sensitivity of a market segment grows in importance as an economy grows in GDP as well as quality of life factors.

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Psychographic Sensitivity

Not every demographic variable is applicable for every segment. Products need to be reformatted to suit certain demographic segments. Three examples are presented here.



Coffee	Tea	Bread
<ul style="list-style-type: none">• Packaged ground• Fresh ground• Instant• Bags• Decoction	<ul style="list-style-type: none">• Black leaves• Herbal black Leaves• Black tea bags• Green tea bags• Herbal green tea bags	<ul style="list-style-type: none">• Maida flour• Whole wheat• Multi-grain• Oats

Psychographic preferences cause dedicated market segments in the classifications shown above.



Let us look at psycho graphic sensitivity while not every demographic variable is applicable for every segment we also need to format products to suit certain demographic segments. There are several examples here packaged ground, fresh ground, instant, bags, decoction, these are based on the psycho graphic sensitivity of individuals.

I would like to have an instant coffee versus I need to have a filtered aromatic coffee I wanted to have a tea bag which can be used anywhere and is least messy to something which I can do it in one minute, someone would like to have the coffee black, someone would like to have coffee with milk.

So, these are the psycho graphic value propositions that the customer brings then in terms of the tea whether you would like to have an English breakfast kind of tea and Indian herbal

kind of chai, what kind of tea bags you would like to have, what kind of spices you would like to pack in the tea again or values of the individual.

Similarly, whether you subscribe to a health flour or a multi health flour is your choice whether you like oats, multi grain whole wheat or simply Maida flour which is not considered very healthy choice. So, psycho graphic preferences cause dedicated market segments in the classifications shown above that is from the way you use in terms of the importance given to the time element to the test element to the health element you have got different psycho graphic values that are being deployed.

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Behavioural Segmentation: Certain Propensity

Certain markets and segments have the propensity to be addictive – a happening more prominent for junk foods, 'sin products' and entertainment segments.



Cigarettes **Fast Foods**

Alcoholic **Chocolates**

OTT **Cool Drinks**

Low Users Medium Users Heavy Users

Behaviourally driven users can have a wide ranging pattern from low usage to medium to heavy usage



Then finally, the behavioral segmentation there is a certain propensity certain markets and segments have the propensity to be addictive a happening more prominent for junk foods, sin products and entertainment segments. Cigarettes, alcoholic beverages, OTT platforms, fast

foods, chocolates and cold drinks are just a few examples of products that have an addictive trend, it could be low uses, it could be medium uses and it could be heavy uses.

Behaviorally driven users can have a wide-ranging pattern and that power of wide ranging pattern has got corporations, deriving undue profits from those segments or decidedly moving away from those statements so, that they can have more purposeful corporate existence in a nation. ITC is a classic example of moving away from its dependence on cigarettes to more purposeful and purposive business segments such as hotels, hospitality, agricultural products, fast moving consumer goods, health foods and so on.

On the other hand there are several companies which are still stuck with alcoholic beverages and there are driving growth based on the addictiveness of the society or parts of the society to such beverages. There are companies which promote chocolates as a substitute for an Indian sweet habit, while one may applaud them for their marketing capability, we may also look at with concern on how that affects the wellness quotient of the population particularly the children and the kids.

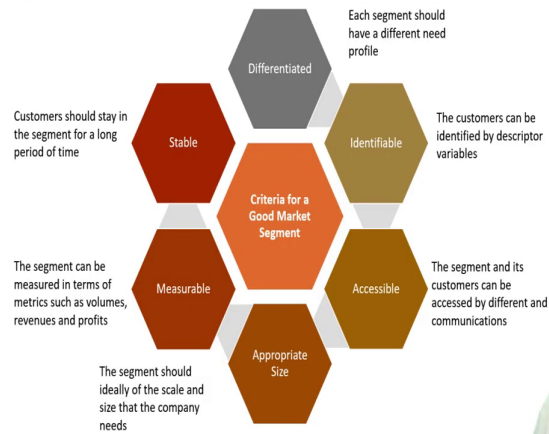
So, while from a marketing perspective, while from a functional elegance perspective exploitation within codes of the behavioral trends of individuals could make good marketing sense. It need not necessarily always make good social sense.

So, when you weave in the ESG considerations into your business strategy and into your marketing strategy you need to balance the addictive activities by non-addictive activities with habit forming activities with health evolving health supporting activities that is a way. This is a strategy and responsible marketing should go.

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Qualifying Criteria for a Market Segment

To be declared as a stable and sustainable market segment, it should meet six important criteria as below.



In consideration of the above, we may surmise that a sustainable market segment is one that can support growth



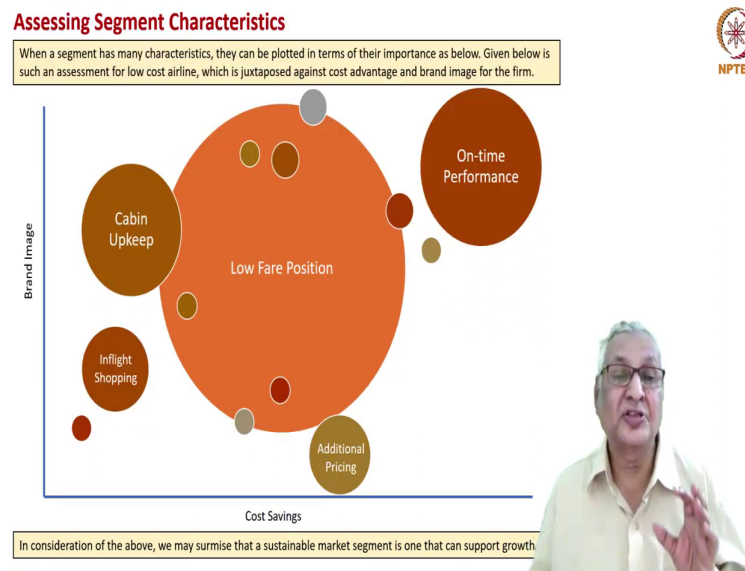
So, to sum up all of these things what should be the qualifying criteria for a market segment? To be declared as a stable and sustainable market segment it should meet six important criteria as below; 1, it should be a different set and differentiated segment each segment should have a different need profile.

Second, it should be an identifiable segment the customers can be identified by descriptor variables. Third it should be an accessible segment, the segment at its customers can be accessed by different and communications. And it should be of an appropriate size, the segment should ideally be of the scale and size that the company needs.

The segment can be measured in terms of metrics such as volumes and revenues as well as profits that is the tangibility or the measurable less of the criterion. Then it should be stable, the customers should stay in the segment for a long period of time. When these six

characteristics are being differentiated, identifiable, accessible, appropriate size, measurable and stable happen then you can say that you have got good qualifying criteria for a market segment.

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How do you assess the segment characteristics? Let us take the example of an airliner, it has two dimensions let us assume one is the cost savings dimension, another is the brand image. If you are too much into cost saving you might lose on the brand image and if you are too cost profligate you may gain on brand image, but you may lose on profitability. So, how do you have the segment characteristics defined?

So, when a segment has many characteristics, they can be plotted in terms of their importance as below. The assessment for the low-cost airline is shown in this slide it is juxtaposed against cost advantage and brand image for the firm, being a low-cost airliner the low fair

position is the one which is the most dominant. So, you take a space which enhances brand image because of your cost savings but is supplemented by on time performance, by cabin upkeep.

Indigo Airlines succeeded because of this unique combination of clean cabins, low fare and on time performance. Then some adjuncts have been introduced by the airliner, but not necessarily with great effect in flight shopping as also flexible pricing to derive greater profitability as a low fair airliner and also provide some flexibility to the consumer who is not too sure about the travel preferences.

We may therefore, summarize that a sustainable market segment is one that can support growth that is one aspect of market segmentation. With this we come to the end of this lecture. I hope to see you in the next lecture.

Thank you very much for your kind attention.