

Integrated Marketing Management
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Lecture - 14
Market Segmentation, VALS Model

(Refer Slide Time: 00:31)

Market Segmentation Variables	
1. Geographic	Region, Climate
2. Demographic	Age, Sex, Marital Status, Family Size, Education, Occupation, Language
3. Socio-economic	Income-levels, Consumption-levels, Caste-Social Class, Religion, Culture
4. Psycho-graphic	Compulsiveness, Gregariousness Extrovert/Introvert, Autonomy-Dependent/Independent, Conservatism-Liberal/radical/traditional/modern, Authoritarianism-autocratic/democratic
5. Marketing Conditions	Distribution channels, Intensity of competition

Toothpaste Market Segment Description				
Segment name	The sensory segment	The sociables	The worriers	The independent segment
Principal benefit sought	Flavor, product appearance	Brightness of teeth	Decay prevention	Price
Demographic strengths	Children	Teens, young people	Large families	Men
Special behavioral characteristics	Users of spearmint flavored toothpaste	Smokers	Heavy users	Heavy users
Brands disproportionately favored	Colgate, stripe	Macleans + white + ultra-brite	Crest	Brands of sale
Personality characteristics	High self involvement	High sociability	High hypo-chondriasis	High autonomy
Lifestyle characteristics	Hedonistic	Active	Conservative	Value oriented

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Now, we look at this market segment with respect to Toothpaste, that is the tooth paste market segment we described the different segments. The segment name we have this is a study which was done some years back. What are the types of users of this toothpaste we called it the sensory segment? What is this Sensory Segment?

Those who are very fond of the flavor of the toothpaste the appearance of the tooth paste itself, that is the product appearance. The second segment could be what we called the sociable's, that is their youth. They are looking at the brightness of their teeth by using this particular toothpaste. The third segment we called them the warriors. What is warriors? They are basically using the toothpaste for preventing prevention of decay, then the last segment we called it the independent segment.

They are different they may like to use a costly priced tooth paste generally, men heavy users looking at brands of sale looking at high autonomy then value oriented people. The sensory segment when you look at what is a type of benefits where do you actually put them.

If the principle benefits got for the sensory segment that is basically the children is the flavor and the product appearance for the sociable's it is brightness of teeth, for the warriors it is the decay prevention for the independent segment it is price. Then what is the demographics takes a trends of this segments?.

If you look at the sensory segment basically children sociable's teens and young people warriors or the large families the independent segments are the men. When you look at this special behavioral characteristics if you look at this children they would like the spearmint flavored toothpaste coming to them some sort of mint attached to that.

Then sociable's basically smokers then warriors or heavy users of this toothpaste. Similarly, the independent take segment are also heavy users of the toothpaste. Now when you look at brands disproportionately favored children favored this Colgate and there used to be a toothpaste called signal stripe which is not coming now which was flavored, which was which used to find favor with the children.

Then the sociable's used to use what is this MacLean's toothpaste, it used to carry that white and ultra bright caption that is use the MacLean's toothpaste your tooth will be white as well as ultra bright. For the warriors, this brands there was a brand called Crest now might not be available in the market, which was getting disproportionately favored by the warriors, large family group want to prevent decay. Then the independent segment they are looking at all brands.

They want to look at all brands before making a decision. The third the fourth the next one the fifth one is the personality characteristics. If you look at a child highly self involved with respect to the product then the teens or the youth high sociability. Then the warriors have this high hyper chondriosis state, then the independent segment having high autonomy they take their own independent decision.

If you look at the life style characteristics of this market for the sensory segment we defined that as hedonistic, where you have a high self involvement with a product. Then the sociable's or active users the warriors are conservative the independent segment is value oriented. So, a study which was done some years back some of these products might not be use now. But helps you to understand how you can segment the market for a ubiquitous product like the toothpaste.

You can have you call it by the term sensory segment the sociable the warriors or the independent segment and in this segment itself it can be principle benefits sort. The demographics strengths of the segment then the special behavioral characteristics, then the brands disproportionately favored then the personality characteristics then the life style characteristics.

For a tooth paste the children come under this life style of hedonistic, the sociable under active, the warriors under conservative and the independent segment under value oriented.

(Refer Slide Time: 07:45)

Elaboration of the "four P's"

Product	Place	Promotion	Price
<ul style="list-style-type: none"> •Quality •Features & options •Style •Brand name •Packaging •Product line •Warranty •Service level •Other services 	<ul style="list-style-type: none"> •Distribution channels •Distribution coverage •Outlet locations •Sales territories •Inventory levels & locations •Transportation carriers 	<ul style="list-style-type: none"> •Advertising •Personal selling •Sales promotion •Publicity 	<ul style="list-style-type: none"> •Level •Discounts and allowances •Payment terms

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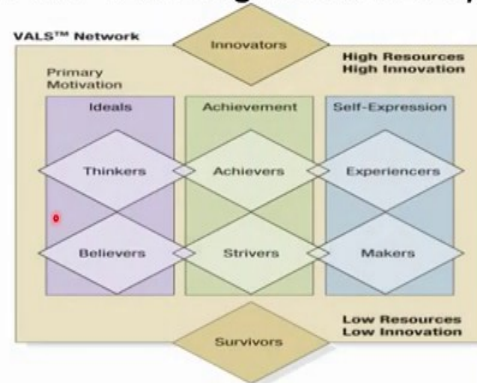
This is how you can segment the market. And in this slide we give an elaboration of the marketing mix the four P's of the market, that is a Product Place Promotion and Price. If you look at the product what are the elaborate elaboration of the first P that is the product, it can be the quality of the product, the features and options, then the style brand name, packaging, product line, warranty, service level and other services.

All coming under the first P of the product marketing mix. The second P that is the place it has distribution channels, distribution coverage, outlet locations, sales territories, inventory levels and locations and transportation carriers. Then what is the third p the third P is the promotion what are you looking at in promotion, you are looking at advertising, personal selling, sales promotion and publicity.

Then the fourth P is the price what are you looking at with respect to price. That is at in what level is the product priced low medium or high. Then what is the type of discounts and allowances that you can get from buying that particular product and what about the payment terms whether you can pay it in installments or avail EMI or whatever all these types of things come under the price category. You product you have place you have promotion and you have price and the elaboration of all this four P's as we just looked at.

(Refer Slide Time: 10:11)

Fig: The VALS Segmentation System



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9

This segmentation itself one of the well-known institutes like the Stanford gave the VALS segmentation system. What is this VALS standing for VALS stands for the Value Added Lifestyle, this is in fact the trade mark of that whole this thing. This VALS network if you look at this VALS network referred to as the VALS segmentation system. It has got three compartments one is the Ideals, second is the Achievement, third is the Self Expression.

Suppose you are an innovator, you are on the top here, you are characterized by this high resources and high innovation. If you are looking at the third box here you are looking at the top on high resources and high innovation, the bottom refers low resources and low innovation that is they are coming under the category of survivors, they are somehow surviving in the market place.

The primary motivators could be your ideals, they are actually believers, thinkers. From thinkers they move in the achievement with respect to achievers then experiences that is

the experiencers they experience this whole product. Then the believers are strivers then the makers of this particular product. You have in this network on the top what is called the innovators at the bottom what is called the survivor.

The innovators are characterized by this resources high innovation, where they become innovators. When they are with low resources and low innovation they are basically an survivors. The primary motivation could be all this it could be ideals, ideals could be thinkers believers. Achievement could be with respect to achievers survivors strivers, then self expression could be with respect to experiences and makers.

This VALS segmentation system depending on the characteristics of the segment you can put under each of these boxes, thinkers or achievers or experiencers or believers of strivers or makers with respect to your product or product line.

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		Price		
		High	Medium	Low
Product Quality	High	Premium strategy	Penetration strategy	Super-bargain strategy
	Medium	Overpricing strategy	Average-quality strategy	Bargain strategy
	Low	Hit-and-run strategy	Shoddy-goods strategy	Cheap-goods strategy

Nine Marketing Mix Strategies

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10

What is presented in this slide or Nine Marketing Mix Strategies. These nine marketing mix strategies are presented according to two attributes, one is the product quality second is the product price. Depending on the product quality and the price you can have nine marketing mix strategies.

Suppose you are your product is a high quality product and you are pricing it high, let us say that is called the premium strategy. Your product is a high quality product your

pricing it high, your operating in this premium strategy what could be an example of this premium strategy.

You can find a large number of examples. This L'Oreal products in the women's category, considered a high quality product and a high priced product operating in the premium strategy. Suppose your product is not that high quality product suppose it is a medium product medium. Suppose it is a let us say your pricing of that product is medium, but yours is a high quality product. Then what are you trying to do?

You are having a high quality product, but you are pricing it medium not pricing it high; why you may be doing that? You may be doing that to penetrate the market. Take the example of these Atta market different brands you have Ashirvad Atta you have this what do you call so many other brands which are operating local brands other this things which are operating in the market.

When this local brands are coming in they also claim that their product is a high quality product, but compare to this Ashirvad which is operating in the premium category they would like to price it a little lower. It is a medium priced product, but a high quality product according to them. Why are doing that they want to penetrate the market, that is this well-known brands they have occupied a market space already. In order to penetrate the market you have to do this type of pricing.

Suppose you say yours is a very high quality product, but you would like to provide the market with a low price, that is you would like to give a heavy incentive to the market to buy your product. Many of these what do you call milk products which were brought which are even sell Nilgiris. Many of these milks give with different this things flavors, one could be strawberry chocolate then this rose milk.

What are the if you go to many of this retail exhibitions like this retail exhibitors, like this Big Bazaar or this Reliance Fresh when you look at this milk category of this Nilgiris you may many times find four for the price of three or buy three fourth one is free. You are operating in the super bargain strategy, your product is a high quality product.

Suppose you took that particular milk of Nilgiris one bottom only it would have costed you 32 rupees or 30 plus rupees. But this 30 plus rupees when you are operating when

you are taking three of them the fourth one is coming free. Similarly, when your product is a medium quality product, but you are pricing it high this is called over pricing strategy.

Your product is a medium quality product, but you are pricing it high. This is called an over pricing strategy. It may be due to the fact that you are existing in a market for a long time and when you are existing in a market for a long time, the market is willing to allow you to charge higher ok. Some of these well-known brands they do this over pricing it can be with respect to consumer durables or it can be with respect to usual products like your soap powder or detergents things like that.

Where your products is a medium quality product, but priced overpriced, because of the brand name it may absorb that pricing. Suppose yours is a medium quality product and you are pricing it medium only, then it is called average quality strategy that is your yours is a medium quality product. You are following this medium pricing strategy.

This is called average quality strategy. Suppose this is medium quality product, but you are pricing it low let us say then you are giving a bargain to the customer. Suppose you say instead of 10 rupees for the product you give it at 9 rupees. Many of the biscuits which are sold in different markets like your Big Bazaar or this Reliance Fresh and many of those typical stores you find that the retail market price of that particular biscuit will be at one level. But what is sold is at a lower level giving bargain to the customer.

Suppose the product is a low-quality product and you want to price it high, in marketing terminology we call it hit and run strategy. Why it is called a hit and run strategy? You are not sure of how the market is going to react to this high price, it is very probable that the market might react angrily for this low-quality product being priced. So, you may find many of these players disappearing they put their mark they put their product into the market they priced it high and after few months you do not find them at all in the market place.

This is where we call it as hit and run strategy. Suppose your product quality is low and your pricing it not high but medium, then in marketing terminology we call it as shoddy goods strategy. What is this shoddy good strategy? Your product is a shoddy good for that also you want a relatively high price though it is medium. Now suppose yours is a low quality product and you are pricing it low then it is called a cheap goods strategy.

This may be the type of market which you may find on the road side. They do not have a ware house type of space, where they can exhibit the product. This you can find with respect to many of the vegetables which are sold in the typical Indian market. Many times you are getting it at a lower price. So, one of the times which you are getting it in the present day at a lower price in this type of market the vegetables is the beans.

Suppose you are it is priced at x in a goods store, you are able to get that at three fourth in this type of a market maybe it is a push cart market or it may a small tempo traveler the tempo market. Where he is selling vegetables, many of them of a low quality and coming at a low price which the customer may still prefer compared to the other things. But in the whole bargain you cannot expect a very high quality from that type of a product.

If you look at this particular diagram, you have nine compartments. Their product quality going from low to medium to high, similarly the price going from low to medium to high and you are getting this nine marketing mix strategies. You can look at nine marketing mix strategies operating in the market place, using these two characteristics of the product one is the quality and the other is a price.

More often than not companies make use of one or the other of these strategies in the market place. These are called marketing mix strategies with respect to two characteristics of the product that is the quality and the price. Basically, we are looking at a 3 by 3 matrix, which results in nine compartments and you can have nine types of marketing strategy mix strategies possible using this particular diagram. We will stop here and continue in the next class.

Thank you.