

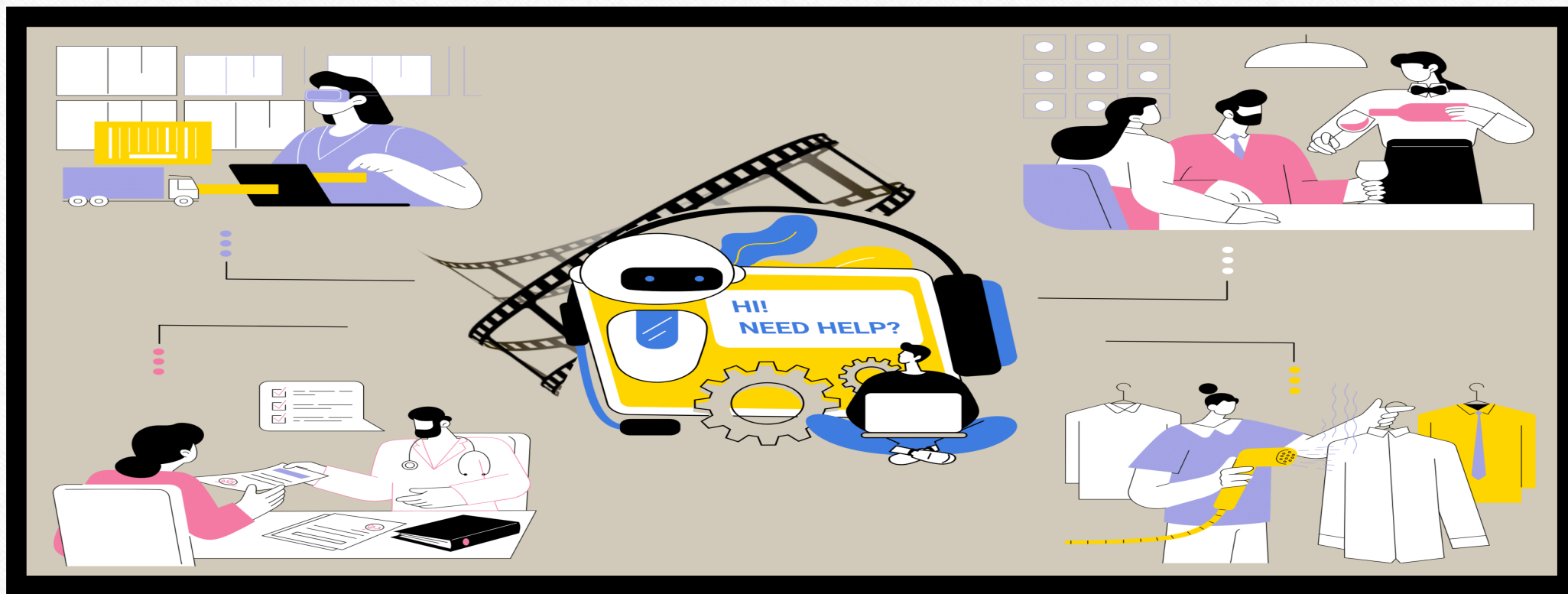
Service Segmentation

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Introduction

- Market segmentation strives for successful attainment of organizational objectives by identifying and serving groups of people with similar wants. The concept of market segmentation is based on the fact that markets, rather than being homogenous, are really heterogeneous. No two buyers or potential buyers of a product are ever identical in all respects. The power of this concept is that in an age of intense competition for the mass market, individual sellers may prosper through creatively serving specific market segments whose needs are imperfectly satisfied by the mass market offerings.

Meaning

- **Market segmentation** is the process of identifying distinct groups and or sub groups of customers in the market, who have distinct needs, characteristics, preferences and/or behaviors, and require separate product and service offerings and corresponding marketing mixes.

Definition

“Market segmentation can be defined as the process of dividing a market into distinct subsets of consumers with common needs or characteristics and selecting one or more segments to target with a distinct marketing mix”.



Benefits

- The seller who is alert to the needs of different market segments may gain in three ways; First, he is in a better position to spot and compare marketing opportunities. He can examine the needs of each segment against the current competitive offerings and determine the extent of current satisfaction. Segments with relatively low levels of satisfaction from current offerings represent excellent marketing opportunities.
- ***Second***, the seller can use his knowledge of the ***marketing response differences*** of the various market segments to guide the allocation of his total marketing budget. The ultimate bases for meaningful segmentation are differences in customer response to different marketing tools. These response differences become the basis for deciding on the allocation of company marketing funds to different customers.

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- *Third* the seller can make finer adjustments of his product and marketing appeals. Instead of one marketing programme aimed to draw-in all potential buyers, the seller can create separate marketing programmes aimed at the needs of different buyers

Advantages

- Break Down Large Audience : Marketers essentially recognize what people experience in communication. The more people you try to deliver a message to, the more potential you have for miscommunication, inattention and complete avoidance. If your brand has a total potential market of 500,000 people in a local metro area, for instance, your message may have limited ability to reach, relate to and impact that many people. By segmenting the audience into smaller groups with shared traits, you can tailor a message to a more manageable group.

Advantages

- Create Target Market : Once you identify one or more potential segments or customer types for your brand, you decide which market to target with a specific advertising campaign. A new self-serve frozen yogurt shop may decide that adults 25 to 49 who live a healthy lifestyle are its primary target. By selecting and more thoroughly defining this segment, the business can figure out which media the audience watches, listens to and reads, which messages to prepare and what budget is necessary to achieve desired outcomes such as increased awareness or sales growth.

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- *Focused Message* :One major benefit of segmentation is that you can present a more focused message. In some cases, a product is used in multiple ways or offers multiple benefits that appeal in different ways to different customers. Car dealers usually sell cars with widely variable target markets. A dealer may have more success developing a campaign for young parents emphasizing economy, safety and reliability benefits. It may develop a completely separate campaign or ad for joyriders who want a high-performance, stylish vehicle.

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- Reduced Waste :Another major advantage segmentation offers is the ability to eliminate waste in advertising. Waste occurs when you pay for ads that reach people with virtually no interest or need for your product or service. A promoter of feminine hygiene products, for instance, experiences inefficiency in advertising when it pays for male audience members. Typically, media charge rates based on the total audience. If you pay \$4,000 for a month of local radio ads based on the audience size, some of the investment is wasted on male listeners. Some waste is a virtual given in advertising, but reducing this through messages targeted to specific customers through particular media is key.

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- ***Increase in competitiveness:*** Naturally, once your focus increases, your competitiveness in that market segment will increase. If you are focusing on youngsters, your brand recall and equity with youngsters will be very high. Your market share might increase and the chances of a new competitor entering might be low. The brand loyalty will definitely increase. Thus market segmentation also increases competitiveness of a firm from a holistic view.
 - ***Customer retention :***By using segmentation, Customer retention can be encouraged through the life cycle of a customer. The best example of this is the Automobile and the Airlines segment. You will find major example of customer life cycle segmentation in the Hospitality segment whether they be hotels, airlines, or hospitals.

Pre-requisites of segmentation

- Segmentation strategy uses the following four criteria :
- (a) ***Identity*** : The marketing manager interested in segmentation must have, first of all, some means of identifying members of the segment—some basis for classifying an individual as being or not being a member of the segment. That is, there must be some evident want or desire, or atleast some common characteristic or behaviour pattern.
- (b) ***Accessibility*** : Once a segment has been identified, the next question is : Can we communicate with them ? The organization must be able to focus its marketing efforts on the chosen segment.

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- (c) **Responsiveness** : If the segment can be identified and communicated with then the next criterion to consider is whether or not the segment will respond to marketing effort. For example, certain product features, a lower price or more service, may more precisely satisfy the needs of a given segment than would a general marketing effort.
 - (d) **Significance** : Suppose that a segment meets the first three criteria i.e. it can be identified, reached with marketing effort, and would respond to that effort. The last and the most crucial question from marketing management's point of view is : Is it really significant ? The segment must possess sufficient buying power (willingness and ability to buy) to make a worthwhile contribution to the marketing organisation's objectives.

Basis of Market Segmentation

A large number of variables can be used to segment a market. We can classify them into four categories :

- (A) Geographic variables.
- (B) Demographic variables.
- (C) Psychographic variables.
- (D) Buyer- behaviour variables.
- On the basis of these variables we can have the following forms of segmentation :
- (1) Geographic segmentation. (2) Demographic segmentation. (3) Psychographic segmentation. (4) Benefit segmentation. (5) Volume segmentation. (6) Marketing factor segmentation. (7) Product space segmentation.

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- (1) ***Geographic segmentation*** : In this form of segmentation, sellers distinguish carefully among the regions in which they can operate and choose those in which they can enjoy a comparative advantage. A small retailer may distinguish between neighbourhood customers and more distant customers. A local fertilizer salesman may distinguish between city customers and rural customers. A national manufacturer can classify his customers by sales territory and each state like U.P., M.P. and H.P. may represent one sales territory. In all these cases, the geographical units become the basis of differentiated marketing effort.
 - (2) ***Demographic segmentation*** : In this form of segmentation, sellers attempt to distinguish different groups on the basis of demographic variables such as age, sex, family, size, income, occupation, education, family life cycle, region, nationality, or social class. Demographic variables have long been the most popular bases for distinguishing significant groupings in the market. One reason is that these variables correlate well with the sales of many products; another is that they are easier to recognize and measure than most other types of variables.

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- (3) ***Psychographic Segmentation*** : In this form of segmentation, the basic idea is that buyer's needs may be more differentiated along life-style or personality lines than along straight-forward demographic lines. Thus, there are the swingers, who seek up-to-date foods and fast paced, hedonistic living. Status seekers, who try to buy goods that will get them a high status in society, and plain and simple people, who seek ordinary, untrilled goods that do their job—one implication of differentiating buyers along personality is that they can be reached with different marketing programmes, and further the organisational objectives can better be served in the wake of serving their needs with the required attention and care. For example, because of their unique features swingers will respond to costlier goods more favourably than the ordinary people. Various research studies have been conducted in the U.S.A. and other advanced nations to test the validity of this psycho-segmentation. These studies have been directed from time to time at whatever different consumer formalities are attached to different products which have different images. Each product needs to be studied separately for the possible strength of personality factors in the purchase behaviour. The theoretical connections between product images and personality types remain to be worked out better.
 - Even where evidence is found of personality differences in the purchase behaviour, the implications for marketing strategy are far from clear.

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- (4) ***Benefit segmentation*** : In this form of segmentation, buyers are sub-divided in relation to the various benefits which they expect from a particular product. A sample of consumers are interviewed for this purpose. In the case of toothpaste, for example, there are customers who seek decay prevention, bright teeth, taste or low price. The idea behind benefit segmentation is very simple —the company can choose the benefit it wants to emphasize, create a product that delivers it, and direct a message to the group seeking that benefit. For example in our country, makers of Colgate have repeatedly been emphasizing that 7 out of 10 users of Colgate benefited (avoided tooth decay). At the same time we also find that Colgate makers have been emphasizing the importance of bright teeth, when they show an advertisement on TV about a young unmarried couple—before use and after use. So the idea is that by choosing different benefits, which potential buyers of a particular product expect from that product, the company in the ultimate analysis can have a larger volume of sales.

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- (5) ***Volume segmentation*** : In this form of segmentation, seller distinguishes the heavy, medium, light and non-users of his product. Then he accepts to determine whether these groups differ in demographic or psychographic ways. In particular, he is interested in the characteristics of the heavy-user group. But he should give thought to other volume groups also, because they may present different opportunities. So the idea behind this volume segmentations is quite simple, though the actual attempt to identify different volume groups may be a bit complicated and difficult. This is a general remark and can practically be taken for almost every form of segmentation.
 - An important implication of volume segmentation for marketing management is that by identifying volume groups, the seller can approach each volume group with a distinct marketing programme and thereby increase the total satisfaction provided by his product to different buyers. Needless to say that it will result in increased sales and profits.

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- (6) ***Marketing-factor segmentation*** : In this form of segmentation, the seller attempts to subdivide the market into groups responsive to different marketing factors, such as price and price deals, product quality, retail advertising, and so on. The idea is that if a manufacturer, for example, knows that one identifiable group of his customers was more responsive to changes in advertising expenditures than others, he might find it advantageous to increase the amount of advertising expenditures than others, he might find it advantageous to increase the amount of advertising aimed at them. The same sort of tailoring might also not be appropriate if it was found that customers reacted differently to changes in pricing, packaging, product quality and like.

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- (7) ***Product space segmentation*** : In this form of segmentation, buyers are asked to compare existing brands according to their perceived similarity and in relation to their ideal brands. Through non-metric multidimensional scaling, the analyst infers the latest attributes that consumers are using to perceive the product class. Next, through cluster analysis, the respondents are classified into different clusters, internally homogeneous but quite different from cluster to cluster. Each cluster of respondents perceives the product in a distinct way or has a distinct ideal brand. Then the analyst sees whether the different clusters have distinctive demographic or psychographic characteristics. If so, he has found 'natural' segments based on different product perceptions or preferences.

Service Positioning

- Positioning is the act of designing the product and service offering of a company in the
- minds of the customer's so that:
- the consumer can relate the product and service offering to a need or want;
- the marketer can create a distinctive image of himself.
- the consumer can perceive a brand's characteristics relative to those of competitive offerings.
- *“It is process of creating an image of the product and service offering in the minds of the consumer.”*

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- The product positioning may be done on various bases:
- i) Product Attributes: LG Golden Eye: Auto contrast and Brightness control
- ii) Benefits, Problem Solutions & Basic Needs: Pepsodent (decay prevention), Close-Up (Fresh breath)
- iii) Quality: Sony
- iv) Product User: Parker (Amitabh Bachchan), Reid and Taylor (Executive/ Lifestyle)
- v) Product Usage: Burnol

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- vi) Specific use: Greeting cards for every occasion
- vii) Services: Maruti Service Station all over India
- viii) Price: Subhikha: Isse sasta aur nahi???
- ix) Distribution: Dell (direct selling: customization)
- x) Against Other Products (Competitors): Savlon vs Dettol; Savlon jalta nahin.

Principles of positioning strategy

- Four principles of positioning strategy are :
- Must establish position for firm or product in minds of target customers
- Position should provide one simple, consistent message
- Position must set firm/product apart from competitors
- A company cannot be all things to all people - must focus its efforts

Service Differentiation

- Kotler defines differentiation as the process of adding meaningful and valued differences to distinguish the company's offering from the competition. There are a number of differentiation dimensions and strategies for their accomplishment
- A firm can differentiate along 5 dimensions:
 - Product
 - Service
 - Personnel
 - Channel
 - Image

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- **Product Differentiation**
- Product line differentiation is an important e-marketing strategy.
- Differentiation may include customization, bundling, and attractive pricing of products.
- Internet sales may not rely as heavily on product packaging and displays as do traditional retailers.
- Packages shipped to households may require additional packing materials not required in bulk case shipments to wholesalers and retailers.

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- **B) Service Differentiation**
- Customer service can be enhanced by 24-hour customer feedback through e-mail and the ability to respond more rapidly to customer concerns.
- Home delivery of groceries, online banking, and securities trading are becoming increasingly popular.
- Today such services supplement traditional services, but may someday replace them.

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- **Personnel Differentiation**
- The internet allows companies to deliver products more efficiently.
 - Low-cost channels
 - Automated processes
 - Reduced dependence on personnel
 - Lower transaction cost

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- **D) Channel Differentiation**
- The internet:
 - Is a location-free, time-free distribution and communication channel.
 - Functions as a communication channel for companies that provide product or service information online.
 - Serves as a transaction and distribution channel for companies that conduct online commercial transactions.
 - Becomes the entire distribution channel for digital products.

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- **Image Differentiation**
- A company can differentiate itself by creating a unique experience online, called “experience branding.”
- Through experience branding firms can better retain customers, target key segments, and enhance profitability.
 - Build-a-Bear extends its offline experience online.
 - Some Web sites invite users to upload content and comments, which gives them a competitive edge.

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- **F) Differentiation Strategies**
- Trout and Rivkin proposed specific differentiation strategies common to offline and online businesses:
 - Being the first to enter the market.
 - Owning a product attribute in the mind of the consumer.
 - Demonstrating product leadership.
 - Utilizing an impressive company history or heritage.
 - Supporting and demonstrating the differentiating idea.
 - Communicating the difference.

THANK YOU
