UNIT- I

CONSUMER BEHAVIOUR, DECISION MAKING AND MARKET SEGMENTATION

INTRODUCTION

CONSUMER BEHAVIOUR- MEANING

Consumer behavior is the study of consumers' actions during searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs. Consumer behavior explains how individuals make decisions to spend their available resources (i.e., time, money, effort) on goods that marketers offer for sale. The study of consumer behavior describes what products and brands consumers buy, why they buy them, when they buy them, where they buy them, how often they buy them, how often they use them, how they evaluate them after the purchase, and whether or not they buy them repeatedly.

People buy cars because they need personal transportation. However, the types of cars people buy are determined not by needs alone, but also by how cars express their owners' characteristics. Therefore, car marketers differentiate their products by how specific car brands and models appeal to buyers' psychology.

Marketing and consumer behavior stem from the marketing concept, which maintains that the essence of marketing consists of satisfying consumers' needs, creating value, and retaining customers. It maintains that companies must produce only those goods that they have already determined that consumers would buy. Marketing-oriented companies do not try to persuade consumers to buy what the firm has already produced, but rather to produce only products that they know they can sell, thereby satisfying consumers' needs and turning them into loyal customers. The **marketing concept** evolved from several prior business orientations focused on production, the product itself, and selling.

The **production concept**, a business approach conceived by Henry Ford, maintains that consumers are mostly interested in product availability at low prices; its implicit marketing objectives are cheap, efficient production and intensive distribution. This approach makes sense when consumers are more interested in obtaining the product than they are in specific features, and will buy what's available rather than wait for what they really want. Before the 20th century, only wealthy consumers could afford automobiles, because cars were assembled individually and it took considerable time and expense to produce each vehicle. Early in the 20th century, Henry Ford became consumed with the idea of producing cars that average Americans could afford. In 1908, Ford began selling the sturdy and reliable Model T for $850—an inexpensive price for that day. Soon he found out that he could not meet the overwhelming consumer demand for his cars, so in 1913 he introduced the assembly line. The new production method enabled Ford to produce good-quality cars more quickly and much less expensively. In 1916, Ford sold Model Ts for $360 and sold more than 100 times as many cars as he did in 1908.

In 1923, as the automobile market was rapidly growing thanks to Ford's mass production, Alfred P. Sloan became president and chairman of General Motors. He inherited a company that was built through takeovers of small car companies that had been producing illassorted models unguided by clear business objectives. Sloan reorganized the company and in 1924 articulated the company's product strategy as "a car for every purse and purpose." While Ford continued to produce the Model T until 1927 and stubbornly held onto the production concept, GM offered a variety of affordable mass-produced models, from the aristocratic Cadillac to the proletarian Chevrolet. About 30 years before the birth of the marketing concept, Alfred Sloan understood the core elements of marketing: all consumers are not alike and firms must identify and cater to different customer groups (or segments) and provide solid customer service. Although Ford was the industry's pioneer and considered unsurpassed, within several years GM took over a large portion of Ford's market share and became America's largest car company.

As more and more companies studied customers' needs and offered products that satisfied them well, companies began offering more and more versions, models, and features, often indiscriminately. They were guided by the **product concept**, which assumes that consumers will buy the product that offers them the highest quality, the best performance, and the most features. A **product orientation** leads the company to strive constantly to improve the quality of its product and to add new features if they are technically feasible, without finding out first whether consumers really want these features. A product orientation often leads to marketing myopia, that is, a focus on the product rather than on the needs it presumes to satisfy.

Marketing myopia occurs when companies ignore crucial changes in the marketplace and look "in the mirror rather than through the window." For example, in the 1980s, Apple bundled its software and hardware together and ignored customers who wanted to buy them separately. Apple sold its software, which was better than other operating systems, only when installed on its own, expensive computers. In contrast, Microsoft licensed DOS (disk operating system)—the less efficient and harder-to-operate software—to any manufacturer that wanted to install it on its computers. Most consumers bought the less expensive, DOS-operated computers, and for many years Apple was an insignificant player in the industry. Apple focused on its product and lost sight of the fact that consumers wanted to buy hardware and software separately.

Evolving from the production concept and the product concept, the **selling concept** maintains that marketers' primary focus is selling the products that they have decided to produce. The assumption of the selling concept is that consumers are unlikely to buy the product unless they are aggressively persuaded to do so—mostly through the "hard sell" approach. This approach does not consider customer satisfaction, because consumers who are aggressively induced to buy products they do not want or need, or products of low quality, will not buy them again. Unhappy buyers often communicate their dissatisfactions with the product through negative word-of-mouth that dissuades potential consumers from making similar purchases.

Implementing the marketing concept requires sellers to use consumer research, market segmentation, a combination of the product, price, place, and promotion strategies, provide value and result in long-term customer satisfaction and retention.

Consumers are complex individuals, subject to a variety of psychological and social needs, and the needs and priorities of different consumer segments differ dramatically. To design products and marketing strategies that fulfill consumer needs, marketers must study consumers' consumption behavior in depth. The term consumer research refers to the process and tools used to study consumer behavior. Consumer research is a form of market research, a process that links the consumer, customer, and public to the marketer through information in order to identify marketing opportunities and problems, evaluate marketing actions, and judge the performance of marketing strategies.

Market segmentation, targeting, and positioning are the foundation of turning consumers into customers. Market segmentation is the process of dividing a market into subsets of consumers with common needs or characteristics. It consists of defining or identifying groups with shared needs that are different from those shared by other groups. Targeting means selecting the segments that the company views as prospective customers and pursuing them. Positioning is the process by which a company creates a distinct image and identity for its products, services, and brands in consumers' minds. The image must differentiate the company's offering from competing ones and communicate to the target audience that the particular product or service fulfills their needs better than competing offerings do. Successful positioning focuses on communicating the benefits that the product provides. Because there are many similar products in almost any marketplace, an effective positioning strategy must communicate the product's distinct benefit(s). In fact, most new products (including new forms of existing products, such as new flavors and sizes) fail to capture significant market shares and are discontinued because consumers perceive them as "me-too" products lacking a unique image or benefit.

The Marketing Mix

The marketing mix (four Ps) consists of four elements:

1. Product or service: The features, designs, brands, and packaging offered, along with post purchase benefits such as warranties and return policies.

2. Price: The list price, including discounts, allowances, and payment methods.

3. Place: The distribution of the product or service through stores and other outlets.

4. Promotion: The advertising, sales promotion, public relations, and sales efforts designed to build awareness of and demand for the product or service.

The marketing concept—fulfilling the needs of target audiences—is somewhat shortsighted. Some products that satisfy customer needs are harmful to individuals and society and others cause environmental deterioration. Studying consumer behavior results in an understanding of why and how consumers make purchase decisions, so critics are concerned that an in-depth understanding of consumer behavior can enable unethical marketers to exploit human vulnerabilities in the marketplace and engage in other unethical marketing practices to achieve business objectives.

SOCIETAL MARKETING CONCEPT

All marketing must balance the needs of society with the needs of the individual and the organization. The societal marketing concept requires marketers to fulfill the needs of the target audience in ways that improve, preserve, and enhance society's well-being while simultaneously meeting their business objectives. The societal marketing concept maintains that companies would be better off in a stronger, healthier society and that marketers that incorporate ethical behavior and social responsibility attract and maintain loyal consumer support over the long term.

Many companies have incorporated social goals into their mission statements and believe that marketing ethics and social responsibility are important components of organizational effectiveness. They recognize that socially responsible activities improve their image among consumers, stockholders, the financial community, and other relevant publics, and that ethical and socially responsible practices are simply good business, resulting not only in a favorable image but ultimately in increased sales. The converse is also true: Perceptions of a company's lack of social responsibility or unethical marketing strategies negatively affect consumer purchase decisions. There are also many not-for-profit advocacy groups whose mission is to advance causes that are ethically and morally right. Among many others, such causes include animal rights, fighting childhood obesity and overeating, supporting sober and non-distracted driving, fighting drug abuse and deadly diseases, and encouraging environmentally sound practices.

Interdisciplinary nature of Consumer Behaviour

Consumer behavior stems from four disciplines. Psychology is the study of the human mind and the mental factors that affect behavior (i.e., needs, personality traits, perception, learned experiences, and attitudes). Sociology is the study of the development, structure, functioning, and problems of human society (the most prominent social groups are family, peers, and social class). Anthropology compares human societies' culture and development (e.g., cultural values and subcultures). Communication is the process of imparting or exchanging information personally or through media channels and using persuasive strategies.

CONSUMER DECISION-MAKING

The process of consumer decision-making includes the input, process, and output stages of decision-making.

The **input stage** of consumer decision-making includes two influencing factors: the firm's marketing efforts (i.e., the product, its price and promotion, and where it is sold) and sociocultural influences (i.e., family, friends, neighbors, social class, and cultural and subcultural entities). This stage also includes the methods by which information from firms and sociocultural sources is transmitted to consumers.

The **process stage** focuses on how consumers make decisions. The psychological factors (i.e., motivation, perception, learning, personality, and attitudes) affect how the external inputs from the input stage influence the consumer's recognition of a need, pre-purchase search for information, and evaluation of alternatives. The experience gained through evaluation of alternatives, in turn, becomes a part of the consumer's psychological factors through the process of learning.

The **output stage** consists of two post-decision activities: purchase behavior and post-purchase evaluation.

LEVELS OF CONSUMER DECISION MAKING

In consumer decision-making terms, purchasing a diamond represents **extensive problem solving** because consumers buy diamonds infrequently and have no established criteria for evaluating them. **Routinized response behavior** is where consumers have experience with over-the-counter pain relievers and do not need to establish the criteria for evaluating them. When consumers have already have established the basic criteria for evaluating a product or service but still need additional information to understand the differences among brands, they engage in **limited problem solving**. This type of decision occurs when consumers purchase updated versions of products they have bought before.

CONSUMER DECISION MAKING MODEL

The model includes three components: input, process, and output.

Decision-Making: Input

The input component of the consumer decision-making model includes three types of external influences:

1. The marketing mix consists of strategies designed to reach, inform, and persuade consumers to buy the marketer's products repeatedly. They include the product, advertising and other promotional efforts, pricing policy, and the distribution channels that move the product from the manufacturer to the consumer.

2. The sociocultural influences include the consumer's family, peers, social class, reference groups, culture, and, if applicable, subculture.

3. The input also includes communications, which are the mechanisms that deliver the marketing mix and sociocultural influences to consumers.

The impact of the marketing mix and sociocultural influences is the input that determines what consumers purchase and how they use what they buy. Because these influences may be directed to the individual or actively sought by the individual, a two-headed arrow is therefore used to link the input and process segments of the model

Decision-Making: Process

The process component of the model is concerned with how consumers make decisions. To understand this process, we must consider the influence of the psychological concepts. The model's psychological field consists of the internal influences (motivation, perception, learning, personality, and attitudes) that affect consumers' decision-making processes (what they need or want, their awareness of various product choices, their information-gathering activities, and their evaluation of alternatives).

Need Recognition

Need recognition occurs when a consumer is faced with a "problem." For instance, take a young executive who decides to purchase a new cell phone with a high-quality digital camera. He imagines that he would benefit from having a high-quality digital camera built into his phone because it would make it easier and more convenient to take more vivid and realistic photos, without having to lug around a separate digital camera. This executive has recognized a need and identified a suitable response.

There are two types of need recognition. Some consumers are actual state types, who perceive that they have a problem when a product fails to perform satisfactorily (e.g., a cordless telephone that develops constant static). In contrast, other consumers are desired state types, for whom the desire for something new may trigger the decision process.

Pre-Purchase Search

Pre-purchase search begins when a consumer perceives a need that might be satisfied by the purchase and consumption of a product. Sometimes, recalling past purchases provides the consumer with adequate information to make the present choice. However, when the consumer has had no prior experience, he or she may have to engage in an extensive search for useful information on which to base a choice.

The consumer usually searches his or her memory (the psychological field) before seeking external sources of information regarding a given consumption-related need. Past experience is considered an internal source of information. The greater the relevant past experience, the less external information the consumer is likely to need to reach a decision. Many consumer decisions are based on a combination of previous experience (internal sources) and marketing and non-commercial information (external sources). The degree of perceived risk can also influence this stage of the decision process. In high-risk situations, consumers are likely to engage in complex and extensive information search and evaluation; in low-risk situations, they are likely to use very simple or limited search and evaluation.

The act of shopping is an important form of external information. According to consumer research, there is a big difference between men and women in terms of their response to shopping. Whereas most men do not like to shop, most women claim to like the experience of shopping; and although the majority of women found shopping to be relaxing and enjoyable, the majority of men did not feel that way.

It is also important to point out that the Internet has had a great impact on pre-purchase search. Rather than visiting a store to find out about a product, or calling the manufacturer and asking for a brochure, consumers can go to manufacturers' websites to find much of the information they need about the products and services they are considering.

What happens if a search is a failure? According to a study of "search regret," consumers' post-purchase dissonance results from an unsuccessful pre-purchase search. How much information a consumer will gather also depends on various situational factors. For some products and services, the consumer may have ongoing experience on which to draw (such as a golfer purchasing a "better" set of golf clubs), or the purchase may essentially be discretionary in nature (rather than a necessity), so there is no rush to make a decision.

Online versus Traditional Information Search

For a while now, researchers have been examining how the Internet has affected the way consumers make decisions. It is often thought that because consumers have limited information-processing capacity, they must develop a strategy for searching for information online. The strategy is based on both individual (e.g., knowledge, personality traits, demographics) and contextual factors (characteristics of the decision tasks). The three major contextual factors that have been researched are:

1. Task Complexity – the number of alternatives and amount of information available for each alternative.

2. Information Organization – the presentation, format, and content.

3. Time Constraint – the amount of time the consumer has to decide.

Brand-Sets and Attributes Considered During Evaluation

Within the context of consumer decision-making, the **evoked set** (consideration set) refers to the specific brands (or models) a consumer considers in making a purchase within a particular product category. An **inept set** consists of brands (or models) that the consumer excludes from purchase consideration because they are unacceptable or seen as inferior. An **inert set** consists of brands (or models) the consumer is indifferent toward because they are perceived as not having any particular advantages. Regardless of the total number of brands (or models) in a product category, a consumer's evoked set tends to be quite small on average, often consisting of only three to five brands or models. The evoked set consists of the small number of brands the consumer is familiar with, remembers, and finds acceptable.

Marketers must ensure that their products become a part of a consumer's evoked set if they are to be considered at all. Excluded products include: 1. Unknown brands or models because of the consumer's selective exposure to advertising media and selective perception of advertising stimuli. 2. Unacceptable brands of poor quality or not having specific features or attributes or inappropriate positioning in either advertising or product characteristics. 3. Brands that are perceived as not having any special benefits. 4. Overlooked brands that have not been clearly positioned. 5. Brands that are not selected because they do not satisfy perceived needs.

Consumer Decision Rules

Decision rules are procedures that consumers use to facilitate brands and other consumption related choices. These rules reduce the burden of making complex decisions by providing guidelines or routines that make the process less taxing. There are two types of consumer decision rules. **Compensatory decision rules** come into play when a consumer evaluates brand or model options in terms of each relevant attribute and computes a weighted or summated score for each brand. The computed score reflects the brand's relative merit as a potential purchase choice. The assumption is that the consumer will select the brand that scores highest among the alternatives evaluated. In contrast, **non-compensatory decision rules** do not allow consumers to balance positive evaluations of a brand on one attribute against a negative evaluation on some other attribute.

There are three types of non-compensatory rules. In following a **conjunctive decision rule**, the consumer establishes a separate, minimally acceptable level as a cutoff point for each attribute. If any particular brand or model falls below the cutoff point on any one attribute, that option is eliminated from further consideration. Because the conjunctive rule can result in several acceptable alternatives, it becomes necessary in such cases for the consumer to apply an additional decision rule to arrive at a final selection (for example, accepting the first satisfactory brand). The conjunctive rule is particularly useful in quickly reducing the number of alternatives to be considered. The consumer can then apply another, more refined decision rule to arrive at a final choice.

In following a **lexicographic decision rule**, the consumer first ranks the attributes in terms of perceived relevance or importance. The consumer then compares the various alternatives in terms of the single attribute that is considered most important. If one option scores sufficiently high on this top-ranked attribute (regardless of the score on any of other attributes), it is selected and the process ends. When there are two or more surviving alternatives, the process is repeated with the second highest-ranked attribute (and so on), until the consumer reaches the point that one of the options is selected because it exceeds the others on a particular attribute.

With the lexicographic rule, the highest-ranked attribute (the one applied first) may reveal something about the individual's basic consumer (or shopping) orientation. For instance, a "buy the best" rule might indicate that the consumer is quality oriented; a "buy the most prestigious brand" rule might indicate that the consumer is status oriented; a "buy the least expensive" rule might reveal that the consumer is economy minded.

Most of the decision rules described here can be combined to form new variations, such as conjunctive-compensatory, conjunctive-disjunctive, and disjunctive-conjunctive rules. It is likely that, for many purchase decisions, consumers maintain in long-term memory overall evaluations of the brands in their evoked sets. This would make assessment by individual attributes unnecessary. Instead, using the affect referral decision rule, the consumer selects the brand with the highest perceived overall rating. This type of synthesized decision rule represents the simplest of all rules.

Decision-Making: Output

The output portion of the consumer decision-making model consists of purchase behaviors and post-purchase evaluation of the purchases. Consumers make three types of purchases. When a consumer purchases a product (or brand) for the first time and buys a smaller quantity than usual, the purchase is a **trial**. Thus, a trial is the exploratory phase of purchase behavior in which consumers attempt to evaluate a product through direct use. Consumers can also be encouraged to try a new product through such promotional tactics as free samples, coupons, and/or sale prices.

When a new brand in an established product category (cookies, cold cereal, yogurt) is found by trial to be more satisfactory or better than other brands, consumers are likely to **repeat** the purchase. **Repeat purchase behavior** represents brand loyalty. Unlike a trial, in which the consumer uses the product on a small scale and without any commitment, a repeat purchase usually signifies that the product meets with the consumer's approval and that he or she is willing to use it again and in larger quantities.

Trial purchases are not always feasible. For example, with most durable goods (e.g., refrigerators, washing machines, electric ranges), a consumer usually moves directly from evaluation to a purchase and long-term commitment without an actual trial. Still further, **post-purchase evaluation** occurs after consumers have used the product, and in the context of their expectations. When a product's performance matches expectations, consumers feel neutral. Positive disconfirmation of expectations occurs when the product's performance exceeds expectations and the consumer is satisfied. Negative disconfirmation of expectations occurs when performance is below expectations and the consumer is dissatisfied.

Cognitive dissonance occurs when consumers try to reassure themselves that they made wise choices. In doing so, they may rationalize the decision as being wise; seek advertisements that support their choice and avoid those of competitive brands; attempt to persuade friends or neighbors to buy the same brand (and thereby confirm their own choice); or turn to other satisfied purchasers for reassurance. The degree of post-purchase analysis that consumers undertake depends on the importance of the product decision and the experience acquired in using the product. When the product lives up to expectations, the consumers probably will buy it again. When the product performance is disappointing or does not meet expectations, they will search for better alternatives. Thus, the consumer's post-purchase evaluation "feeds back" to the consumer's psychological field and influences similar decisions in the future.

MARKET SEGMENTATION

Market segmentation, targeting, and positioning are the foundation of turning consumers into customers. Market segmentation is the process of dividing a market into subsets of consumers with common needs or characteristics. Each subset represents a consumer group with shared needs that are different from those shared by other groups. Targeting consists of selecting the segments that the company views as prospective customers and pursuing them. Positioning is the process by which a company creates a distinct image and identity for its products, services, and brands in consumers' minds. The image differentiates the company's offering from competition by communicating to the target audience that the product, service, or brand fulfills their needs better than alternatives.

Segmentation, targeting, and positioning are interrelated and implemented sequentially. All consumers are not alike because they have different needs, wants, and desires, and different backgrounds, education levels, and experiences. Therefore, marketers must offer alternatives that correspond to the needs of different consumer groups or segments. Market segmentation, strategic targeting, and product (or service) positioning are the key elements of marketing consumer goods and services. They enable producers to avoid head-on competition in the marketplace by differentiating their products on the basis of such features as price, styling, packaging, promotional appeal, method of distribution, and level of service. Effectively catering to the distinct needs of consumers by offering them clearly differentiated products is significantly more profitable than mass marketing, in spite of the much higher research, production, advertising, and distribution costs that accompany segmentation and strategic targeting. Marketers use segmentation research to identify the most appropriate media in which to place advertisements.

To be an effective target, a market segment must be identifiable, sizeable, stable and growing, reachable, and congruent with the marketer's objectives and resources.

Identifiable: Marketers divide consumers into separate segments on the basis of common or shared needs by using demographics, lifestyles, and other factors named "bases for segmentation." Some segmentation factors, such as demographics (e.g., age, gender, ethnicity), are easy to identify, and others can be determined through questioning (e.g., education, income, occupation, marital status). Other features, such as the product benefits buyers seek and customers' lifestyles, are difficult to identify and measure.

Sizeable: To be a viable market, a segment must consist of enough consumers to make targeting it profitable. A segment can be identifiable, but not large enough to be profitable. For example, athletic and slim men with wide shoulders and narrow waists often have to buy suits with trousers that are larger than they need (and have them re-tailored).

Stable and Growing: Most marketers prefer to target consumer segments that are relatively stable in terms of lifestyles and consumption patterns (and are also likely to grow larger and more viable in the future) and avoid "fickle" segments that are unpredictable. For example, teenagers are a sizeable and easily identifiable market segment, eager to buy, able to spend, and easily reached. Yet, they are also likely to embrace fads, and by the time marketers produce merchandise for a popular teenage trend, interest in it may have waned.

Reachable: To be targeted, a segment must be accessible, which means that marketers must be able to communicate with its consumers effectively and economically. With the diversification of magazines (and their online versions), the emergence of TV channels that target narrowly defined interests, and the growth of new media (e.g., sending ads to cell phones), marketers have significantly more avenues for reaching unique segments and can also do so with customized products and promotional messages.

Congruent: Not every company is interested in or has the means to reach every market segment, even if that segment meets the four preceding criteria.

BASES FOR SEGMENTATION

A segmentation strategy begins by dividing the market for a product into groups that are relatively homogeneous and share characteristics that are different from those of other groups. Generally, such characteristics can be classified into two types: behavioral and cognitive.

Behavioral data is evidence-based; it can be determined from direct questioning (or observation), categorized using objective and measurable criteria, such as demographics, and consists of: 1. Consumer-intrinsic factors, such as a person's age, gender, marital status, income, and education and 2. Consumption-based factors, such as the quantity of product purchased, frequency of leisure activities, or frequency of buying a given product.

Cognitive factors are abstracts that "reside" in the consumer's mind, can be determined only through psychological and attitudinal questioning, and generally have no single, universal definitions, and consist of: 1. Consumer-intrinsic factors, such as personality traits, cultural values, and attitudes towards politics and social issues and 2. Consumption-specific attitudes and preferences, such as the benefits sought in products and attitudes regarding shopping.

In reality, marketers use multiple bases. For example, although demographics and lifestyles (or psychographics), which are the most widely used bases, every psychographic classification of consumers includes their demographics. Whereas demographics determine consumers' needs for products (e.g., males and females buy different products) and the ability to buy them (e.g., income), psychographics explain buyers' purchase decisions and choices.

Demographics

Demographic segmentation divides consumers according to age, gender, ethnicity, income and wealth, occupation, marital status, household type and size, and geographical location. These variables are objective, empirical, and can be determined easily through questioning or observation. They enable marketers to classify each consumer into a clearly defined category, such as an age group or income bracket. Similarly, one's social class is defined by computing an index based on three objective and quantifiable variables: income (number of dollars earned), education (number of years studied for the highest degree held), and occupation (prestige scores associated with various occupations). The most prominent demographics used in segmenting markets and targeting consumers.

Age

Product needs often vary with consumers' age, and age is a key factor in marketing many products and services. For instance, younger investors—in their mid-20s to mid-40s—are often advised to invest aggressively and in growth stocks, whereas people who are older and closer to retirement should be much more cautious, keep a significant portion of their assets in bonds (which provide stable and safe income), and avoid risky, long-term investments.

Age also influences our buying priorities. For example, as a young student, would you say that your opinions regarding what is a "luxury" product are the same as those of your parents or grandparents? The most likely answer is no: your parents, and especially grandparents, would probably criticize your purchases of upscale sneakers, designer shirts and handbags Marketers commonly target age groups. For example, Colgate understands that brushing teeth is not a child's favorite activity, while being proud of one's age is a priority. Therefore, Colgate divides the preteens toothpaste group into four segments and offers each one its own toothpaste. So, while 2-year-olds may feel proud of their first toothpaste, as they become 3 or 4 years old and very involved with growing older, they often demand a different toothpaste than the one they associate with "being babies." Thus, Colgate offers My First Colgate to children up to age 2, Colgate Dora the Explorer to ages 2 to 5, and Colgate SpongeBob SquarePants and Colgate Pop Stars to older, preteen children.3

Many marketers cater to the needs of 18- to 34-year-old consumers, known as Millennials. For example, as MTV's audience got older, the network developed programs specifically aimed at this segment, and Keds—positioned as "The Original Sneaker"—has started a campaign allowing millennials to express their creativity using Keds sneakers as the canvas for drawing pictures.

Gender

Many products and services are inherently designed for either males or females, but sex roles have blurred, and gender is no longer an accurate way to distinguish among consumers in some product categories. Today, more and more magazine ads and TV commercials depict men and women in roles traditionally occupied by the opposite sex. Women have traditionally been the main users of such products as hair coloring and cosmetics, and men have been the main users of shaving tools and preparations. However, men's grooming products are becoming a fast-growing sector as more men use exfoliators, toners, aftershave creams, and cooling and tinted moisturizers.

Families and Households

Many families pass through similar phases in their formation, growth, and dissolution. At each phase, the family unit needs different products and services. For example, brides are generally happy and spending consumers. Young, single people, for example, need basic furniture for their first apartment, whereas their parents, finally free of child rearing, often refurnish their homes with more elaborate pieces. The family life cycle is a classification of the phases that most families go through; each stage represents an important target segment to many marketers. Traditionally, most marketers have targeted families. They researched the number and kinds of households that buy and own certain products and the media profiles of household decision makers, and then developed appropriate marketing appeals. More recently, marketers began targeting specific marital status groups, such as singles, divorced individuals, single parents, and dual-income married couples without children.

Social Class

Income is an important variable for distinguishing between market segments, because it indicates an ability or inability to pay for a product model or brand. Income is often combined with other demographic variables to define target markets more accurately. Education, occupation, and income are closely correlated; high-level occupations that produce high incomes usually require advanced education and are more prestigious than occupations requiring less education. Social class is an important base for market segmentation in the form of a weighted index of education, occupation, and income. Social class is a hierarchy in which individuals in the same class generally have the same degree of status, whereas members of other classes have either higher or lower status. Studies have shown that consumers in different social classes vary in terms of values, product preferences, and buying habits.

Ethnicity

Marketers segment some populations on the basis of cultural heritage and ethnicity because members of the same culture tend to share the same values, beliefs, and customs. In the United States, African Americans, Hispanic Americans, and Asian Americans are important subcultural market segments.

Geodemographics

Where a person lives determines some aspects of consumption behavior. For example, climates determine the types of clothing most people own, and fashions and styles in large cities are often very different from those in nonurban areas. Local customers, as opposed to visiting tourists, are also a distinct segment. The most popular use of geography in strategic targeting is geodemographics, a hybrid segmentation scheme based on the premise that people who live close to one another are likely to have similar financial means, tastes, preferences, lifestyles, and consumption habits.

The primary application of geodemographics is PRIZM, offered by Nielsen's MyBestSegments service. Marketers can locate each of PRIZMS's 66 segments according to their postal ZIP Codes. The residents of most ZIP Codes include more than one PRIZM segment, and Nielsen's ZIP Code Look-Up details the relative percentage of each segment within each local population in the United States.

Green Consumers

Green consumers are attractive prospects for many products and marketers have explored targeting them. One study identified three types of green consumers:

1. Environmental activists: "green" enthusiasts and people who adopt lifestyles focused on health and sustainability. They seek foods from farms that not only produce organic products, but also cut down on water use, power use, and trash.

2. Organic eaters: concerned about sustaining their own health and not so much about sustaining the planet.

3. Economizers: experimenting with buying eco-friendly products in order to save money.

Psychographics, Values and Lifestyles

In marketing, lifestyles are named psychographics, which include consumers' activities, interests, and opinions. In consumer research, psychographics consists of creating statements and asking respondents to indicate their level of agreement or disagreement with each statement. The dimensions studied include consumers' buying patterns, opinions about consumption and/or social issues, values, hobbies, leisure activities, and many other dimensions. There are no standardized definitions of psychographic dimensions (such as an "active lifestyle" or consumer types like an "impulse buyer" or a "green consumer"), because almost all psychographic terms are defined in the scope of specific studies. Nevertheless, because they are so versatile, psychographics are widely used, and, together with demographics, are included in almost all segmentation frameworks.

VALS (an acronym for "values and lifestyles") is the most popular segmentation system combining lifestyles and values. Drawing on Maslow's need hierarchy and the concept of a person's "social character", researchers at Strategic Business Insights developed a segmentation scheme of the American population known as VALS. It classifies America's adult population into eight distinctive subgroups (segments) based on consumer responses to both attitudinal and demographic questions.

Benefit Segmentation

Benefit segmentation is based on the benefits that consumers seek from products and services. The benefits that consumers look for represent unfilled needs, whereas buyers' perceptions that a given brand delivers a unique and prominent benefit result in loyalty to that brand. Marketers of personal care products, such as shampoos, soaps, and toothpastes, create different offerings designed to deliver specific benefits.

Media-Based Segmentation

As more and more forms of media emerge, marketers must study the benefits that consumers seek from adopting these communication tools, so that they can advertise in these media effectively. In one study, consumers singled out immediacy, accessibility, and free cost as the most relevant features of digital newspapers, while identifying writing style and more depth and details as the key features of traditional newspapers.

Usage Rate Segmentation

Usage rate segmentation is reflects the differences among heavy, medium, and light users, and nonusers of a specific product, service, or brand. Marketers of many products, such as soup, laundry detergent, beer, and dog food, have found that a relatively small group of heavy users accounts for a disproportionately large percentage of the total product usage.

Targeting heavy users is a common marketing strategy and is often more profitable than targeting other user categories. However, catering to this segment requires a lot of expensive advertising because all competitors target the same heavy users. Some marketers prefer to target light and medium users with products that are distinct from those preferred by heavy users. Usage rate segmentation also focuses on the factors that directly affect the usage behavior. For instance, a study of supermarket customers found differences between two segments of buyers in terms of usage frequency, defined as the number of times per week buyers visited the supermarket.

Rate of usage is strongly related to product awareness status, which is the degree of a consumer's awareness of the product and its features, and whether or not he or she intends to buy it reasonably soon. The consumer's degree of awareness of the product, along with whether the consumer is unaware and needs to be informed about the product, represent distinct targeting opportunities. A related factor is product involvement, which reflects the degree of personal relevance that the product holds for the consumer.

Usage Occasion (Situation) Segmentation

Usage occasion segmentation recognizes that consumers purchase some products for specific occasions, as expressed in the following statements:

• "Whenever our son celebrates a birthday, we take him out to dinner at the Gramercy Tavern"

• "When I'm away on business for a week or more, I try to stay at the Setai"

• "I always buy my wife candy on Valentine's Day"

Many marketers promote their offerings for holidays or seasons. The greeting card industry, for example, promotes special cards for a variety of occasions that seem to be increasing annually with such additions as Grandparents' Day, Secretaries' Day, and so on.

BEHAVIOURAL TARGETING

Behavioral targeting consists of sending consumers personalized and prompt offers and promotional messages designed to reach the right consumers and deliver to them highly relevant messages at the right time and more accurately than when using conventional segmentation techniques. This method is enabled by tracking online navigation, current geographic location, and purchase behavior.

BENEFIT SEGMENTATION

Benefit segmentation categorizes your target audience by the value they'll receive from your product or service. Marketers use benefit segmentation to identify customers who would profit the most from their business. By pursuing these customers, the organization will improve lead acquisition and ensure customer success. Benefit segmentation is the segmentation of the consumers based on what particular benefit of the product appeals to them. Benefit segmentation in marketing considers that for a particular service or product what is the value perceived, advantages or benefit that a customer gets. Different consumers look for different benefits and the marketer needs to understand each segment and accordingly develop his communication for each group.

Benefit segmentation is a technique that segments customers on the basis of desired or sought benefits. These benefits, when they are present as attributes of a product, service or market offering, cause consumers to purchase those products, rather than merely describe who they are as consumers in terms of socio–economic, demographical or psychographical data. Benefit segmentation offers more utility than the traditional methods because it explains the reasons why consumers choose to buy or prefer particular products, or patronise particular suppliers or providers of services.

Importance of benefit segmentation

People look for products from different perspectives depends upon what type of benefits they want to seek form that product. Benefit segmentation helps companies identify customers on the basis of the values they looking to take out from a product or service.

Benefit segmentation is one of the various ways of behavioral segmentation, as it helps companies tap customers based on the customer behavior. Behavioral segmentation is one of the four ways to do a market segmentation. Companies use benefit segmentation as a way to find out which members of their target audiences will benefit most from using the companies' products or services. The idea is to identify target audience members who are the most likely to convert because they have a need for your product or service. You can also use benefit segmentation to create stronger acquisition campaigns that are targeted toward specific groups of customers based on the benefits they can receive from your product. Product development can be enhanced through benefit segmentation as well.

HYBRID SEGMENTATION

Hybrid segmentation can be defined as simply combining two or more different types of customer segmentation models to form a unique segmentation strategy. Some examples can include behavioral and psychographic segmentation, demographic and psychographic, or any other combination you feel fits best for your business.

With hybrid segmentation, managers can eliminate many of the negatives by combining multiple models together to best fit your business' sales and marketing strategies. Hybrid segmentation is best used for building customer experience surveys. In order to determine how well your customers like your products and business. Three hybrid segmentations are most popular in this regard: Psychographic-Demographic Profiles, Geodemographic Profiles, VALS, and Yanklovich's mind base segmentation.

1. **Psychographic, Lifestyle and Demographic Profile**

Psychographic (lifestyles) and demographic profiles are highly complimentary, combi ning the two marketers are provided with powerful information about their target markets. While designing the Psychographic, Lifestyle and Demographic Profile, marketers must answ er the three important questions, that include: 1. Whom should we target? 2. What should we say? And 3. Where should we say it?

2. Geo-Demographic Segmentation

People who live close to one another are likely to have similar financial means, tastes, preferences, lifestyles and consumption habits. Computer software are used to cluster the population into lifestyle groupings based on postal or zip codes. Clusters are created based upon consumer lifestyles. Specific cluster includes zip code s that are composed of people with similar lifestyle scattered throughout the country. Marketers use cluster data for: Direct mail campaigns, Select retail sites, Design marketing strategies for specific market segment.