

Interrelated functions in the marketing mix



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Marketing is a cluster of different yet, interrelated functions in the marketing mix. Those functions contribute businesses to grab the opportunities in different markets. Markets differ from one another due to different reasons. These reasons can be basically categorized as geographic, demographic, psychographic and behavioral aspects which are further subdivided into respective in depth criteria. Since a marketer is unable to please all the above aspects at once within the mass market, a smart businessman always identifies the most suitable customer base for his business. This is called the process of Segmentation. When the suitable market segment is identified, the sustainability within the particular market is deemed important. For that the offer must be rare, robust, inimitable and not easily substitutable in the given context. This process is called Market Differentiation. Most of the famous global brands are the market opportunities which are derived specially from of these two marketing processes.

Introduction

Markets are different by its very nature since it consists of buyers whose wants differ from one another. Even though the needs of the people are basically similar, the ways and means of fulfilling those are not identical. Therefore, it is essential for any company to identify such differences for the purpose of their existence, growth and prosperity.

Market segmentation is the prominent marketing function through which the broad markets are subdivided into different sections based on their common features which are easily identifiable. To the extent that these features are able to identify the wants of the each customer group, the company is in a position to address their customers' specific requirements more distinctively

than that of their competitors. It would further facilitate the company to identify their core competencies and to manage their resource base to transfer such core competencies into a more unique standard. Therefore, market segmentation is apparently becoming a must for any kind of business organization irrespective of the type of business they are in.

Once the specific market segment is identified, it would be easy to select the suitable target market out of that. The next essential need is to attract the target customer group towards the company's marketing offer. Therefore, differentiation is the next important function which paves the way to get positioned in the mindset of the customers.

Academic Literature

Market segmentation is 'dividing a market into smaller groups with distinct needs, characteristics or behaviors who might require separate products or marketing mixes' (Kotler & Armstrong, 2008). They have further discussed that the bases or the major variables which might be used in segmenting consumer markets. Those are geographic, demographic, psychographic and behavioral variables. In the early times former two variables were considered important yet, 'demography is not the only or the best way to segment markets' (Yankelovich, Harvard Business Review, March/April 1964).

Psychographic variables were deemed more important according to him where the changing nature of the wants of the consumers was deeply touched. It was further emphasized in Harvard Business Review, (February 2006) by Yankelovich and Meer. However, each four variables were subdivided into many different aspects which were aimed at proper measurements of the same.

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There is another preliminary function, which helps the segmentation process more realistic, called Market Mapping. ' Market mapping is used to develop a clear understanding of how a market actually works, looking at both the routes or channels to market and the role of influencers. A key stage in market mapping is to identify who makes the decision between alternative offers, as it is on these individuals/departments that the segmentation review will focus.' (The Marketing Process Company, 2003)The segmentation process is discussed in different aspects in The Marketing Process Company (2003), as to answer the questions of ' Who buys? What is bought, where? when? how? , Who buys what? and Why do they buy?'. They have tried to identify ' Key Discriminating Features (KDFs) ' in each segments that the company is going to identify and the ' Critical Purchase Influences (CPIs)' such as ' service , convenience, price and so on.' These CPIs can be backed by the four major value disciplines of a business namely (1) Cost Leadership, (2) Product Excellence, (3) Service Excellence and (4) Customer Intimacy.

Yankelovich and Meer (Harvard Business Review, February 2006) discussed that, good segmentation would be able to identify those who are most worth pursuing, such as undeserved, dissatisfied and those who are going to do the purchase for the first time. This aspect of segmentation is very much important in a market of a red ocean rather than that of a blue ocean.

Because in the former type of market, there are competitors who offer better options to the customers and the segments are crossed one over the other due to different bases used by the businesses, sometimes making the customers indifferent in making their buying decisions.

The segmentation process is discussed by The Marketing Process Company (2003) in ten steps as '(1) Define market (need), (2) Set parameters for analysis (i. e. specify what is to be included /excluded), (3) Estimate RAM (Realistically Available Market) i. e. that part of the market in which your organization can realistically compete, (4) Draw a map of the market your business is segmenting - current, (5) Initial quantification, (6) Draw a map of the market your business is segmenting - future,(7) Expand detail (preliminary segments), (8) Identify the junctions where market segmentation should occur (Market Leverage Points) on the Market Map, (9) If junction ' owns' or ' influences' the purchase decision, ask: Who buys (i. e. dominant profiling characteristics)? What, where, when and how do they buy? Why do they buy (underlying needs from which CSFs derived)? and (10) Use process to segment your market into groups of customers who share the same needs, behaviors and current channel preference.'

Segmentation is further elaborated as ' a process consists of segment identification, segment selection and the creation of marketing mixes for target segments. The outcome of the segmentation process should yield " true market segments" which meet three criteria: (a) Group identity: true segments must be groupings that are homogeneous within segments and heterogeneous across groups. (b) Systematic behaviors: a true segment must meet the practical requirement of reacting similarly to a particular marketing mix. (c) The third criteria refers to efficiency potential in terms of feasibility and cost of reaching a segment' (Wilkie, cited by Restrepo).

Kotler & Armstrong (2008) have discussed the ' steps in market segmentation , targeting and positioning' as two sides of ' creating value for targeted

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customers'. In one side , segmentation is the primary process of the task of selecting which customer to serve and it is followed by targeting. In the other side, differentiation is the primary process of the task of deciding on a value proposition and it is followed by positioning..

' Market differentiation and ' perceived customer value' are far more than ' being different.'" (Sid, Harvard Business Review, July / August 2006) This hints that mere differences attached to the attributes of the products does not account for the real meaning of the said task instead, it should always be coupled with the extent of the perceived customer value embedded to the usage of that particular product or the service.

Sid (Harvard Business Review, July / August 2006) has made a list of criteria for differentiation with an address towards various aspects such as '(1) Reliability/strict standards of performance,(2) Source of education and training for new buyers, (3)Increases the customer's revenue streams, (4) Increases customers' productivity, (5) Professional conduct of customer contact personnel, (6) Technology expert/resource/collaboration, (7) Financial stability, (8) Confidentiality, (9) Demonstrated knowledge of the customer's industry, business, and major projects, (10) Research and product development culture, (11) Gives back to our community, (12) Upper management contact/management-to-management relationships, (13) Ease of doing business/one-stop-shop, (14)Strong management systems focused on continuous improvement'.

The relationship between these two variables was also identified directly in the academic literature. ' The concept of market segmentation was first

proposed as an alternative market development technique in imperfectly competitive markets that is, in markets where there are relatively few competitors selling an identical product. Where there are lots of competitors selling identical products, market segmentation and product differentiation produce similar results as competitors imitate your strategic approach more quickly and product differentiation approaches meet market segment needs more closely.' (Trout & Ries, 1972)

Organizational Analysis

One of the most popular segmented markets is the milk powder market which also belongs to the fast moving consumer goods. Apparently, the major basis used for the segmentation in this regard is the demography - age. Milk powders are offered to the whole life cycle of the consumers from birth to death. Some brand names such as Anchor has 1+, 3+, Junior like products as to fit with the nourishment and care expected from a child milk powder. Some other aspect is pregnancy where Annum is offered and finally the bones are said to be protected by Anelene at the older age. If a company is in a position to cater more than one segment at the same time, the inherent business risk is diversified among such products portfolio.

Behavioral segmentation includes attributes such as quality, convenience, service etc. Toyota introduced to the world market the first mass produced hybrid electric vehicle called Toyota Prius in 2001 and was able to have a spread of more than 160, 000 units across the world within next two years.

Geodemography is a type of multi variable segmentation that addresses both geography and demography at the same time. Mc Donald's applies this

concept in terms of approaching different countries with different food habits. European countries are offered more of mac-meat foods while Asian countries are offered mac-rice foods.

Psychographic segmentation uses the values such as esteem and reputation. American Express uses famous personality to introduce their product and inspire customers to be in hands with them by simply following their buying patterns. Actors, cricketers and singers are the most used by the companies in this regard everywhere in the world.

Differentiation relates with the competitive strategies of the company. It would be simply a tiny aspect embedded to the company's product or the service which could penetrate the customer mindset than what the other rival companies' offered. In North America, the Southwest Airlines offers a fantastic experience to the passengers to sit wherever they prefer in the aircraft. Customer perceived value is much higher in this regard towards the service offered. e-Bay is another classic example in the online business opportunity to bid for both buying and selling. Unlike others, the site appears for anything and everything and even a broken pointer would do a big profit to the owner via this. It is differentiated from the other competitors being the solution for everyone. Sri Lanka has differentiated Bogawanthalalawa Tea in the European market as tea with a spoon of love along with its high quality and the taste.

Cost is another prominent criteria that can be used for differentiation and positioning thereof. Walmart offers their products at cheaper prices than their rivalries. Similarly, Japan offers their automobiles in United States at

lower prices but at the same time they were able to deliver the same value to the customers as that of what their rival US companies offer. Korea was able to differentiate their ship building industry as the cheapest in the global context. Chinese electrical products are identified as cheaper than anywhere in the world due to underlying concept of low cost of production.

Continuous improvements made can differentiate the product or service while building superior images in customers. Fairness creams such as Fair & Lovely and toilet soaps such as Lux have been doing this right throughout.

Conclusions

Market segmentation and market differentiation is all about where to enter and how to survive in the market. The distinctive characteristics of the countries, people, attitudes, income levels and regulations are the main influencers in this process. Marketers are supposed to be suited to each of these criteria to the best they can than their competitors. Perceived customer values are to be matched against the actual value delivered and the offer price. Exploration of prospective market opportunities of the segmented markets would immensely support in this process. Despite of the fact that the human needs are constant; a brilliant marketer can derive many types wants from them for their customers. Ultimately, it would be the marketer who creates demand on behalf of the customer and as well as provide the best solution for the created demand.

Recommendations

When the business feels that it is in a position to serve a specific type of customer group rather than mass marketing, the very first task should be

the environmental analysis. It should carry an industry attractive test, a competitive strength test, and a strategic fit test of the company.

After these tests are performed, the company is in a position to identify that where it is at present and where it can go in future. The next step should be managing the resource base against the business prospects. Because of the reason that the consistence and the continuous presence in the market would attract the customers' mental perception, uninterrupted value delivery needs to be ensured.

Then the customer values and personal traits are needed to be identified for the purpose of becoming their partner in business solutions which is possible with what the company possesses in their resource base. Since the company cannot please everyone at once, the most suitable segment of customers can get filtered at the end.

Once the segmentation is done, the sustainability is required to be ensured by being most sought after by the customers. Core competencies are needed to be converted into distinctive competencies which are rare, robust, inimitable and not easily substitutable. This is what is meant by the differentiation which would ensure the sustainability in the future for the company.