

# [Indian biscuit market: segmentation and customer analysis](https://assignbuster.com/indian-biscuit-market-segmentation-and-customer-analysis/)

For an effective and efficient segmentation, however, a mix of all of these above mentioned parameters have to be used. Extending the above concept of basis of segmentation, the criteria of segmentation across different conditions is naturally different. For example, for the general understanding of a market, one should keep in mind the benefits sought, product purchase and usage patterns, needs, brand loyalty and switching patterns

On the other hand, for positioning studies, product usage, product preference have to be taken into account. On one hand, incase of advertising decisions, when media usage and psychographic /lifestyle is considered seriously, on the other hand for distribution decisions, store loyalty and patronage clubbed with benefits sought in store selection is contemplated over. Also, it has been often concluded that the segment profitability is affected by five principal factors :

* Industry Competitors and the threat of segment rivalry
* Potential entrants to the market and the threat of mobility
* The threat of substitute products
* Buyers and their relative power
* Suppliers and their relative power

Last but not the least, to decide on segmentation, a knowledge of following five patterns of market coverage is important . They are :- Single segment concentration, selective specialisation, product specialisation, market specialisation, full market coverage.

PROMOTION :-

For any promotion strategy to be successful, it is primarily important that the flow of thought process behind it be understood. A Marketing Plan is essentially a mix of Product, Place, Price, Promotion, physical evidence and Process Management . This Marketing Plan is a derivative of Marketing strategies and objectives, which is in turn derived from Corporate Objectives. And on an overall level, all of these are derived from the Final Corporate Strategy . Amongst these, the Promotion mix consists of a wide variety of selling tactics like Product Placement, Advertising and advertorials, Packaging, Personal Selling, P. O. S., Publicity . Sponsorship, Sales Promotion, Exhibitions, E-Mails, Text messaging etc. While developing the communications Plan, the following points have to be kept in mind by a Marketer :-

1. The nature and detail of the target audience.
2. The Short-term and Long-term communication objectives
3. The messages that are to be used
4. The Communication channels that will carry the message
5. The Budget
6. The Mix of communication tools that is to be used and how the elements of the promotion mix are to be integrated and how, in turn, the promotions mix is to be integrated with the marketing mix.
7. The measure of the ROI of the campaign.

Apart from the above mentioned, approaching the customer in a Integrated Marketing Communication Channel is the most effective. i. e. by achieving a higher level of integration between the individual elements of the communication mix, the planner should achieve a greater degree of clarity and consistency, with the result that there will then be a seamless integration of messages and a broader reach .

Brand Management

A fundamental element of any product strategy is the role played by the brand. Brands are designed to enable customers to identify products or services that promise specific benefits. As such they are a form of shorthand in that they create a set of expectations in the mind of customers about purpose, performance, quality and price. This in turn allows the strategists to build added value into products and to differentiate them from competitors.

To be truly effective, a brand strategy has to develop over time and reflect environmental conditions. There is therefore a need from brand development, the key elements of which involve a detailed understanding of:

* Current perceptions of the brand amongst customers and the trade
* The expectations of both customers and the trade
* The strengths and weakness of each brand within the portfolio
* The value of each of the brands
* The links that exist between the different brands owned and the nature and significance of any overlaps and gaps
* The dangers of brand cannibalization
* When and where new brand names need to be developed
* The opportunity for brand stretching
* Probable competitor moves

The starting point for this involves analysing the brand in order to understand detail what it means to customer and how much it is worth. In doing this, the strategist needs to identify the core values, the scope that exists for extending the brand name into other product or market sectors, and the areas that must be avoided at all costs.

Developing a brand strategy

For many organisations, branding is a fundamental element of the product strategy and provides the basis for a consumer franchise that, if managed effectively, allows for greater marketing flexibility and a higher degree of consumer loyalty. However, it needs to be recognised that branding involves a great deal more than simply putting a name on a package. Instead it is about creating, maintaining and proactively developing perceived customer value, it is only in this way that the organisation is able to promise and continue to deliver to the consumer a superior value than that offered by competitors.

It follows from this that any brand strategy is, of necessity, a long term process that involves an investment in and commitment to the development of the brand over time. This long term perspective involves the dovetailing of a number of issues, but in essence can be seen to be concerned with the two principal issue that emerge from the discussion above

1. Where the brand is currently and how it is perceived

2. How the brand is to be perceived in three, five and ten years’ time, and how this might best be achieved.

With regard to the first of these, the starting point for any brand strategy involves identifying:

The brand’s current market positioning

Competitors’ positioning strategies and resource bases

The way in which the market is likely to develop, and the implications of product, brand and market life cycles

Customers’ perception of the portfolio of brands in the market

Customers’ expectations and the extent to which these are being met both by the brand and its competitors

Levels of customer loyalty across the market

The financial, managerial and operational that can be called in managing a brand

The bases for competition

The relative importance of the brand to the organisation

Managerial expectations of the brand

It is only against this background that the strategist is able to develop a vision for the brand.

Finally in developing the brand strategy, the planner needs to give consideration to a series of financial issues, including the margins and contribution that the brand is required to generate in both the short and the long term, and the levels of investment that the brand needs if it is to achieve the objectives set.

Consumer Behaviour

From the viewpoint of the marketing planner, the mix of cultural, social, personal and psychological factors that influence behaviour is largely non-controllable. Because of the influence they exert upon patterns of buying, it is essential that as much effort as possible is put into understanding how they interact and ultimately, how they influence purchase behaviour. in doing this, it is important not to lose sight of the differences that exist between customers and consumers, and the implications of these differences for strategy.

Against the background of an understanding of the factors influencing motivation, the marketing strategists needs them to consider the influence of perception, since it is the way in which motivated individuals perceive a given situation that determines precisely how they will behave.

Consumer is at the centre of all decision making in an organisation. The linkage of the consumer to other aspects is shown in the following diagram. We can see that on the left, the consumer interacts through his perception, understanding (cognition), beliefs and social influences. These aspects determine the behaviour of the consumer. The search for this behaviour is through market research and insight mining. The market Research gives fodder for the strategy to be formulated.

MARKSTRAT – SUMMARY

Before entering any market, it is important to understand what the market stands for, the kind of products in the market, the competitors that the company will face and various external and internal factors that will play a crucial role in making decisions after every quarter/period. The Industry Cheetah has 6 players in the Market namely A, E, I, O, U, Y.

After the initial feelers of the whole simulation, it was evident that we would have to focus on certain key areas and others would be on low priority. The key-focus areas that were decided were :-

Philosophy, Guiding Principals and Organization

Product Portfolio

Research & Development

Advertising and Sales Force Decisions

Pricing Effects

Competitor Dynamics

New Product Launches

Production Planning and Inventory Management

Financial Focus

After setting the above agenda, the next step was to decide what needs to be done in the first period. The single point agenda in this case was to enter the Sonite market while keeping away from the Vodite market . The logic behind this was that to, make Vheetah Y the Stock price leader clubbed with highest ROI. A snapshot of results varying across different periods are as follows :-

Base (period 0): 1000

Period 11 (End): 1687

Highest: 2485 (Period 6 End)

Lowest: 1000 (base)

Highest Stock Price in Industry: 3244 (Cpny. I)

Some of the pertinent stock prices Index observations over the periods were :- SPI increased by 68. 7% after 11 periods compared to base value. A very encouraging positive growth was seen from Period 0 to Period 6 (138. 9% growth from Period 0 to Period 6) On the Contrary there was a continuous decrease in SPI from Period 7 to 11 (32. 11% decline in Period 7 to period 11). The high-point of the SPI game was that at the end of Period 6, Cheetah Y was the market leader in terms of SPI.

A company vs Company comparison of SPI shows the following results :-

The next focus shifted to pushing the Product through Sales and advertising . The logic behind our heavy Advertising Budget was that there was no point in having a perfect product if the target market does not know about it. A fine balance of quality and quantity does the trick. Down the line, Cheetah Y also realised that it is wisest to allocate the money to the products with the highest Return on Investment. Also, from a strategic point of view, it makes a lot of sense to be opportunistic and increase the advertising money when the competitors are squeezed for money . In this regard, the most important function is “ Competitive Advertising” which defines a product (in this case SYGU and SYCA) against what its communication dimensions and message quality are. Initially, the dimensions “ Economy and Performance” and “ Performance and Convenience” fared pretty badly . But towards Period 7 (from Period 3 to Period 7), it reached the message Quality “ Excellent”. Parallely, in the Vodite Market, the product VYLE on the communication dimension “ Economy & Felxibility” it scored a message quality of Excellent.

A combined overview of how the sales department fared for Cheetah Y is given below. Also, it gives the insight into what cheetah Y fared vis-a-vis competitors and current market scenario.

Base (Period 0):

(a) Sales Volume: 167. 53 Kilo Units

(b) Revenue: K$ 48659. 3 Million

Period 11 (End):

(a) Cumulative Sales Volume: 539. 60 Kilo Units

(b) Cumulative Revenues: K$ 1463564. 9 Million

Highest Sales in any Period (Units): 788. 4 (Period 7 End)

Highest Sales in any Period (Revenue): K$ 193776 (Period 7 End)

Lowest Sales in any period (Units): Base

Lowest Sales in any Period (Value): Base

Highest Cumulative Sales (revenue) in industry after 11 periods: K$ 1949822 (Company I)

(A snapshot of Sales Volume across all the competitors)

After investing in adequate sales force across Speciality Stores, Department stores and Mass Merchandise, the next logical step was to analyse the Market Share after each period. Some of the key highlights in case of market share were :-

Market Share at Period 11 (End): 7. 03%

Highest: 28. 35% (Period 5 End)

Lowest: 7. 03% (Period 11 End)

Highest Market Share in Industry (Period 11 end): 38. 88% (Company U)

The broad strategy to achieve the initially set agenda is that first we enter the Cheetah market with minimum number of products, and with zero product in the Vodite Market. Also, offering the same product across multiple segments enhanced the revenue base. There was an overall increased emphasis on targeted advertising to increase brand awareness. The Pricing strategy also worked in this direction, i. e – offer the product at a cheaper price than the competitors (even when the product is superior) . But as dynamic as our market strategies, even the Market threw up a lot of surprises. There were the constantly changing consumer needs, aggressive product development of competition, large disparity in growth rates in different segments of the two markets. Thus a snapshot of the strategies pursued are given below, vis-a-vis what actions were taken .

Thus, from the above describes strategies pursued and an analysis of their results, the following lessons were learnt :

Offer customized products to each segment in the market

Keep track of changing consumer needs; modify products accordingly

If the product is not performing well, remove from market

Pay emphasis to R&D

Observe competition and their strategy; tweak strategy suitably

Advertising spend does not necessarily lead to greater sales

Lowering price will not improve sales even in a price sensitive segment

Possible Applications of the learnings :-

There is space for growth for additional brands in the customer segments of Buffs and Singles as the entire market is concentrated in just a couple of players. A well positioned and well priced brand definitely has a lot of promise in these segments.

We need keep a tap on ideal value evolution of the physical characteristics or dimensions. Continuous re-evaluation and modification of existing brands like SYGU and SYCA should be done and marketing and advertising efforts should be employed keeping the changes in mind.

The position of SYGU brand needs to be questioned and, if need be, repositioned with a modified R&D project.

A product/brand catering exclusively to the Followers segment in the Vodite should be launched with the desired physical characteristics.

Need to define the space for competition so that maximum efforts can be employed there with minimal overlap and wastage with any concurrent efforts for any other brand of the company – a case in point is Company I which has excellently defined brands in each of the customer segments of Singles, others and followers.

Need to use the MDS and SEMANTIC scales more precisely for setting advertising objectives for SYGU and SYCA.

COMPANY STRATEGY :-

Biscuit industry is the third largest producer and fastest growing industry in FMCG sector. Its Estimated Value is approximately Rs 5000 Crore. It forms a part of the Organized sector: 60% (approximately). Major Segments in which it operates are Glucose, Marie, Cream, Crackers, Milk. Major Brands in the industry right now are : Britannia, ITC, Parle, Priyagold, Dukes etc

COMPANY OVERVIEW :- Britannia is India’s second largest food company with Sales close to Rs. 20 billion. Over the years it has shown a Consistent annual growth rate of 15-20% . It Sources products from more than 50 factories spread across the country. Key product lines include Biscuits, Bread, Cakes and Rusk . Product range serves to the whole spectrum from “ mass market to the premium segment” .

FINANCIAL ANALYSIS :-

An indepth analysis of past few years shows that the Gross sales increased to Rs 2317. 11 Cr in 2006-07 indicating a growth of 28% . Britannia’s Profits declined by 33% due to increase in input prices and stiff competition (like Parle, itc, Priya ). An interesting trend showed that Dividends of the order 100-150% were provided for the past 5 years. Although Britannia followed the industry growth rate for the past 3-4 years, the profit margin followed a zigzag pattern. But owing to Inflation, Costs have increased significantly on the production as well as on selling front. Company has very small debt and its Debt-Equity ratio is 0. 01. Company is maintaining good debt rating for future requirements. PBITDM (Profit Before Interest Tax Depreciation Margin) expressed as a percentage of Sales is 6. 58. ROE is at a healthy Rate of 21. 14% . Current ratio has been improving over the years and hence the solvency position of the company.

COMPETITIVE ANLAYSIS :-

(Marketing Mix of Britannia )

PRICING :-

On the basis of price, the biscuit market can be segmented into the following:

Low Range Biscuits (less than Rs 40 per kg.)

Medium Range Biscuits (Rs. 40-70 per kg.)

High Range Biscuits (over Rs. 70 per kg.)

Britannia caters to the upper middle and high end of the market – with a touch of premium to it. On the price quality matrix, Good Day biscuits can be classified as following a High-Value strategy.

PROMOTION :-

Britannia has engaged into various Integrated Marketing Communciation activities some of the more prominent ones are mentioned as follows. Since Consumers are becoming more health conscious – “ Swasth Khao Tan Man Jagao” (Eat Healthy, Think Better) campaign directly addressed this new trend (Tiger Biscuits). A new logo was created encapsulating the core essence of Britannia – healthy, nutritious and optimistic. Good Day is positioned as a healthy and nutritious product and it advocates values that stand for health, hygiene, family, trust and taste. Since events form a major chunk of the Brand visibility agenda, Britannia sponsors a lot of Sports and sporting events as key channel for promotions. One of the majorly acclaimed campaigns of Britannia is “ Britannia khao, World Cup jao” campaign in 1999 and 2003 and was awarded the most recognized sales promotion among all Cricket World Cup-related sales activity

SEGMENTATION AND CUSTOMER ANALYSIS :-

“ Before delving deep into Segmentation Targeting and Positioning, it is important to identify what the Key information areas are, specially the Demographic profile of the consumer on the parameters age, sex, income level and occupation. Some of the personal characteristics of consumers include the identification of “ When do customer consume biscuits”, “ Type of biscuits consumed”, “ Where do the customer purchase”, “ Purpose of buying (personal consumption, gifting, serving guests)”, “ How much do consumers spend on biscuits”, “ Factors Affecting the buying decision”, order of preference etc. Different products will have different target group depending on the above mentioned factor. Though a Good-day would appeal to the consumers as a mid-range biscuit, a further extension of that product called “ Good-day Choco-nut” falls in the category of High-end biscuits. R&D :- Qualitative Research includes an in-depth analysis of the consumer needs and wants and for this, a wide variety of tool may be used. For example, FGDS with a set of consumers to identify major factors influencing the purchase decision of biscuits (and Interacting with friends and family Quantitative Research Customer survey using questionnaire. Survey done through both face to face interviews as well as online. Tools Used are Factor Analysis, Cluster Analysis and Fishbein analysis .”

## Consumer Behavior and MARKET RESEARCH IN CHEETAH Y

Market Research forms the basis of almost all of the strategically important decisions that a Company makes over a period of time. Consumer psyche, Brand perceptions, Buying behaviours, Priority or preferences, all of these form the building blocks of information, on the basis of which a decision maker even goes to the extent of changing the very core proposition of a Brand !

BRAND AWARENESS :- To understand the awareness level of brands across our own company Cheetah Y and across competitors, it is important to have a comparative analysis. This has been made possible by “ Consumer Survey on brand Awareness Segment by Segment” . The report delves deep into what exactly is the level of brand knowledge amongst the following segments :- Buffs, Singles, Pros, HiEarners and Others. Initially when the game began, the product SYGU occupied highest mindspace share amongst Singles while the product SYCA occupied highest mindspace amongst Pros. At the end of all 12 periods, SYGU continued to occupy the highest share amongst Singles while also capturing a significantly high percentage amongst Buffs. On the Contrary, the mindspace percentage of SYCA increased excessively for Buffs and Hiearners. Also one more product SYCO was introduced which managed to gain the highest mindspace . This helped in taking proper measures to increase brand awareness amongst the desired segment and helped in understanding the impact of increasing advertising expenditure .

The next logical step after studying the Brand awareness is to find out that how much of it is actually getting converted into Purchase. To study the Purchase intentions, the report Consumer Survey-purchase Intentions is the apt report. Here we inferred that purchase intention for SYGU was the highest amongst the Singles, which is in sync with the level of Brand awareness amongst them. Also the purchase intention for SYCA was highest amongst the Hiearners which is again in sync with the Brand awareness. IF we analyse the trend across 12 periods, we notice that there is a visible trend reversal i. e. SYGU purchase intention was highest amongst the segment “ Others” while incase of SYCA, the PROS showed the highest purchase intentions . This can be attributed to the fact that a lot of investment was made in the Advertising research and hence overall advertising budget which increased the brand awareness and purchase intention considerably.

BUYING BEHAVIOR of consumers :- So where exactly are Cheetah Y’s target audience buying from ! This is important to understand because it helped us plan the “ salesforce ” and distribute the salesforce accordingly amongst the Speciality stores, Departmental stores and Mass merchandise stores. At the start of period 1, Buffs were mostly buying from Speciality stores, Singles were mostly buying from speciality and Departmental stores while 50% professionals were buying from Speciality stores. High earners preferred to buy through Departmental stores. However, after understanding the buying behaviour, appropriate salesforce was installed in each of these store types. Hence after period 12, singles ended up buying equally from Speciality, Departmental stores and mass Merchandise stores.

The result of all the efforts and budget put into Marketing has a direct impact on the market share and stock prices. In this regard, the Report “ Consumer Panel- Market Shares based on Unit Sales” provide the perfect insight into the market share distribution of the two products amongst Buffs, Singles, pros, Hiearners and others. In the Period 1, the highest share of revenue for SYGU was coming from Singles, while highest share of revenue for SYCA was coming from Hiearners (this is in sync with the BRAND AWARENESS report). However, down the line after 11 periods, the highest share of revenue for SYGU was coming from Others while major revenue contributors for SYCA was the segment pros. Since the brand awareness for the product SYCO was low, this duely reflected in in share of revenue being almost nil from each of the segments.

After understanding the current scenario and facts and figures related to Brand awareness and Brand purchase intentions, it becomes imperative to do an apt amount of Advertising Research and an estimate of Competitive advertising. The Market research report tells us that initially all the products in the Sonite Market had a rating of “ poor” against the various communication dimensions, except SULI . But over a period of 12 periods, while the communication dimensions and ratings and its corresponding ratings for all the products (and companies) changed, the ratings for SYGU AND SYCA remained poor and only SYCO got a message quality of Good. This can be analysed through the fact that though investment in advertising was being made, simultaneously the changes in the parameters Design, Power, Weight etc through R&D was not made. This resulted in a mismatch between the product quality and what is being advertised, hence resulting in poor “ message quality”.