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| **SR NO.** | **UNIT NAME** |
| **UNIT-1** | **MARKETING SEGMENTATION** |
| **UNIT-2** | **DEMAND FORECASTING** |
| **UNIT-3** | **SERVICE MARKETING** |
| **UNIT-4** | **RECENT NEW CONCEPT OF MARKETING** |

**UNIT – 2 DEMAND FORECASTING**

**INTRODUCTION & MEANING OF DEMAND FORECASTING:**

Accurate demand forecasting is essential for a firm to enable it to produce the required quantities at the right time and arrange well in advance for the various factors of production e.g., raw materials, equipment, machine accessories etc Forecasting helps a firm to access the probable demand for its products and plan its production accordingly. Forecasting is an important aid in effective and efficient planning.

It reduces the uncertainty and making the organization more confident of coping with the external environment. The increasing availability of economic data, the continuous improvement of technique and the expanded computational ability provided by the computer made it possible for firms to forecast their demand/sales with considerable accuracy.

Accurate demand forecasting is essential for a firm to enable it to produce the required quantities at the right time and arrange well in advance for the various factors of production.

**Definitions of demand forecasting:**

**Definition**: Demand forecasting refers to a scientific and creative approach for anticipating the [demand](https://theinvestorsbook.com/demand-in-economics.html) of a particular commodity in the market based on past behaviour, experience, data and pattern of related events. It is not based on mere guessing or prediction but is backed up by evidence and past trends.

**Example**: A printing press owner forecasts high demand for notebooks in June and July due to the new session. Therefore, he plans for a large-scale production during this time and arranges for the raw material, workforce, finance and machinery accordingly.

According to Evan J. Douglas, “Demand estimation (forecasting) may be defined as a process of finding values for demand in future time periods.”

In the words of Cundiff and Still, “Demand forecasting is an estimate of sales during a specified future period based on proposed marketing plan and a set of particular uncontrollable and competitive forces.”

Demand forecasting enables an organization to take various business decisions, such as planning the production process, purchasing raw materials, managing funds, and deciding the price of the product. An organization can forecast demand by making own estimates called guess estimate or taking the help of specialized consultants or market research agencies.

**TYPES OF DEMAND FORECASTING:**

**Forecasts can be broadly classified into:**

**(i) Passive Forecast:** Under passive forecast prediction about future is based on the assumption that the firm does not change the course of its action

**(ii) Active Forecast:** Under active forecast, prediction is done under the condition of likely future changes in the actions by the firms.

**From the view point of ‘time span’, forecasting may be classified into two, viz.,:**

**(i) Short term demand forecasting and (ii) long term demand forecasting.** In a short run forecast, seasonal patterns are of much importance. It may cover a period of three months, six months or one year. It is one which provides information for tactical decisions.

Which period is chosen depends upon the nature of busi­ness. Such a forecast helps in preparing suitable sales policy. Long term forecasts are helpful in suitable capital planning. It is one which provides information for major strategic decisions. It helps in saving the wastages in material, man hours, machine time and capacity. Planning of a new unit must start with an analysis of the long term demand potential of the products of the firm.

**There are basically two types of forecast, viz.,:**

**(i) External or national group of forecast, and (ii) Internal or company group forecast.** External forecast deals with trends in general business. It is usually prepared by a company’s research wing or by outside consultants. Internal forecast includes all those that are related to the operation of a particular enterprise such as sales group, production group, and financial group. The structure of internal forecast includes forecast of annual sales, forecast of products cost, forecast of operating profit, forecast of taxable income, forecast of cash resources, forecast of the number of employees, etc.

**At different levels forecasting may be classified into:**

(i) Macro-level forecasting,

(ii) Industry- level forecasting,

(iii) Firm- level forecasting and

(iv) Product-line forecasting.

**Macro-level forecast­ing** is concerned with business conditions over the whole economy. It is measured by an appropriate index of industrial production, national income or expenditure.

**Industry-level forecasting** is prepared by different trade associations.This is based on survey of consumers’ intention and analysis of statistical trends.

**Firm-level forecasting** is related to an individual firm. It is most important from managerial view point.

 **Product-line forecasting** helps the firm to decide which of the product or products should have priority in the allocation of firm’s limited resources.

Forecast may be classified into (i) general and (ii) specific. The general forecast may generally be useful to the firm. Many firms require separate forecasts for specific products and specific areas, for this general forecast is broken down into specific forecasts.

**STEPS/STAGES/PROCESS OF DEMAND FORECASTING:**

 **1.Specifying the Objective:**The objective for which the demand forecasting is to be done must be clearly specified. The objective may be defined in terms of; long-term or short-term demand, the whole or only the segment of a market for a firm’s product, overall demand for a product or only for a firm’s own product, firm’s overall market share in the industry, etc. The objective of the demand must be determined before the process of demand forecasting begins as it will give direction to the whole research.

**2.Determining the Time Perspective:**On the basis of the objective set, the demand forecast can either be for a short-period, say for the next 2-3 year or a long period. While forecasting demand for a short period (2-3 years), many determinants of demand can be assumed to remain constant or do not change significantly. While in the long run, the determinants of demand may change significantly. Thus, it is essential to define the time perspective, i.e., the time duration for which the demand is to be forecasted.

**3.Making a Choice of Method for Demand Forecasting:**Once the objective is set and the time perspective has been specified the method for performing the forecast is selected. There are several methods of demand forecasting falling under two categories; **survey methods** and **statistical methods**.

The Survey method includes consumer survey and opinion poll methods, and the statistical methods include trend projection, barometric and econometric methods. Each method varies from one another in terms of the purpose of forecasting, type of data required, availability of data and time frame within which the demand is to be forecasted. Thus, the forecaster must select the method that best suits his requirement.

**4.Collection of Data and Data Adjustment:**Once the method is decided upon, the next step is to collect the required data either primary or secondary or both. The primary data are the first-hand data which has never been collected before. While the secondary data are the data already available. Often, data required is not available and hence the data are to be adjusted, even manipulated, if necessary with a purpose to build a data consistent with the data required.

5.**Estimation and Interpretation of Results:**Once the required data are collected and the demand forecasting method is finalized, the final step is to estimate the demand for the predefined years of the period. Usually, the estimates appear in the form of equations, and the result is interpreted and presented in the easy and usable form.

Thus, the objective of demand forecasting can only be achieved only if these steps are followed systematically.

**DIFFERENT METHODS OF DEMAND FORECASTING:**

There is no easy or simple formula to forecast the demand. Proper judgment along with the scientific formula is needed to correctly predict the future demand for a product or service. Some methods of demand [forecasting](https://www.toppr.com/guides/fundamentals-of-economics-and-management/forecasting/introduction-and-methods-of-forecasting/) are discussed below:

### 1] Survey of Buyer’s Choice

When the demand needs to be forecasted in the short run, say a year, then the most feasible method is to ask the customers directly that what are they intending to buy in the forthcoming time period. Thus, under this method, potential customers are directly interviewed. This [survey](https://www.toppr.com/guides/general-knowledge/world-organisations-and-diversities/world-survey-of-countries/) can be done in any of the following ways:

1. **Complete Enumeration Method:** Under this method, nearly all the potential buyers are asked about their future purchase plans.
2. **Sample Survey Method:** Under this method, a sample of potential buyers are chosen scientifically and only those chosen are interviewed.
3. **End-use Method:**It is especially used for forecasting the demand of the inputs. Under this method, the final users i.e. the consuming industries and other sectors are identified. The desirable norms of consumption of the [product](https://www.toppr.com/guides/business-studies/marketing/product/) are fixed, the targeted output levels are estimated and these norms are applied to forecast the future demand of the inputs.

Hence, it can be said that under this method the burden of demand forecasting is on the buyer. However, the judgments of the buyers are not completely reliable and so the seller should take decisions in the light of his [judgment](https://www.toppr.com/guides/reasoning-ability/statements/judgements/) also.

The customer may misjudge their demands and may also change their decisions in the future which in turn may mislead the survey. This method is suitable when goods are supplied in bulk to [industries](https://www.toppr.com/guides/general-knowledge/resources-of-india-and-world/industries-of-india-and-world/) but not in the case of household customers.

### 2] Collective Opinion Method

Under this method, the salesperson of a firm predicts the estimated future sales in their region. The individual estimates are aggregated to calculate the total estimated future sales. These estimates are reviewed in the light of factors like future changes in the selling price, product designs, changes in competition, advertisement campaigns, the purchasing power of the consumers, employment opportunities, [population](https://www.toppr.com/guides/geography/population/), etc.

The principle underlying this method is that as the salesmen are closest to the consumers they are more likely to understand the changes in their needs and demands. They can also easily find out the reasons behind the change in their tastes.

Therefore, a firm having good sales personnel can utilize their experience to predict the demands. Hence, this method is also known as Salesforce opinion or Grassroots approach method. However, this method depends on the personal opinions of the sales personnel and is not purely scientific.

**Know more about**[**Law Of Demand And Elasticity Of Demand**](https://www.toppr.com/guides/business-economics/theory-of-demand/law-of-demand-and-elasticity-of-demand/)

### 3] Barometric Method

This method is based on the past demands of the product and tries to project the past into the future. The economic indicators are used to predict the future trends of the [business](https://www.toppr.com/guides/business-studies/nature-and-purpose-of-business/concept-and-characteristics-of-business/). Based on future trends, the demand for the product is forecasted. An index of economic indicators is formed. There are three types of economic indicators, viz. leading indicators, lagging indicators, and coincidental indicators.

The leading indicators are those that move up or down ahead of some other series. The lagging indicators are those that follow a change after some time lag. The coincidental indicators are those that move up and down simultaneously with the level of [economic activities](https://www.toppr.com/guides/commercial-knowledge/business-and-commercial-knowledge/what-are-economic-activities/).

### 4] Market Experiment Method

Another one of the methods of demand forecasting is the market experiment method. Under this method, the demand is forecasted by conducting market studies and experiments on consumer behavior under actual but controlled, market conditions.

Certain determinants of demand that can be varied are changed and the experiments are done keeping other factors constant. However, this method is very expensive and time-consuming.

### 5] Expert Opinion Method

Usually, market experts have explicit knowledge about the factors affecting demand. Their opinion can help in demand forecasting. The Delphi technique, developed by Olaf Helmer is one such method.

Under this method, experts are given a series of carefully designed questionnaires and are asked to forecast the demand. They are also required to give the suitable reasons. The opinions are shared with the experts to arrive at a conclusion. This is a fast and cheap technique.

**You Know about**[**Cross Elasticity of Demand**](https://www.toppr.com/guides/business-economics/theory-of-demand/cross-elasticity-of-demand/)

### 6] Statistical Methods

The statistical method is one of the important methods of demand forecasting. Statistical methods are scientific, reliable and free from biases. The major statistical methods used for demand forecasting are:

1. **Trend Projection Method:** This method is useful where the organization has a sufficient amount of accumulated past data of the sales. This date is arranged chronologically to obtain a time series. Thus, the time series depicts the past trend and on the basis of it, the future market trend can be predicted. It is assumed that the past trend will continue in the future. Thus, on the basis of the predicted future trend, the demand for a product or service is forecasted.
2. **Regression Analysis:** This method establishes a relationship between the dependent variable and the independent variables. In our case, the quantity demanded is the dependent variable and income, the price of goods, the price of related goods, the price of substitute goods, etc. are independent variables. The regression equation is derived assuming the relationship to be linear. Regression Equation: Y = a + bX. Where Y is the forecasted demand for a product or service.

## IMPORTANCE OF DEMAND FORECASTING:

Demand plays a crucial role in the management of every business. It helps an organization to reduce risks involved in business activities and make important business decisions. Apart from this, demand forecasting provides an insight into the organization’s capital investment and expansion decisions.

**The significance of demand forecasting is shown in the following points:**

**i. Fulfilling objectives:**

Implies that every business unit starts with certain pre-decided objectives. Demand forecasting helps in fulfilling these objectives. An organization estimates the current demand for its products and services in the market and move forward to achieve the set goals.

For example, an organization has set a target of selling 50, 000 units of its products. In such a case, the organization would perform demand forecasting for its products. If the demand for the organization’s products is low, the organization would take corrective actions, so that the set objective can be achieved.

**ii. Preparing the budget:**

Plays a crucial role in making budget by estimating costs and expected revenues. For instance, an organization has forecasted that the demand for its product, which is priced at Rs. 10, would be 10, 00, 00 units. In such a case, the total expected revenue would be 10\* 100000 = Rs. 10, 00, 000. In this way, demand forecasting enables organizations to prepare their budget.

**iii. Stabilizing employment and production:**

Helps an organization to control its production and recruitment activities. Producing according to the forecasted demand of products helps in avoiding the wastage of the resources of an organization. This further helps an organization to hire human resource according to requirement. For example, if an organization expects a rise in the demand for its products, it may opt for extra labor to fulfill the increased demand.

**iv. Expanding organizations:**

Implies that demand forecasting helps in deciding about the expansion of the business of the organization. If the expected demand for products is higher, then the organization may plan to expand further. On the other hand, if the demand for products is expected to fall, the organization may cut down the investment in the business.

**v. Taking Management Decisions:**

Helps in making critical decisions, such as deciding the plant capacity, determining the requirement of raw material, and ensuring the availability of labor and capital.

**vi. Evaluating Performance:**

Helps in making corrections. For example, if the demand for an organization’s products is less, it may take corrective actions and improve the level of demand by enhancing the quality of its products or spending more on advertisements.

**vii. Helping Government:**

Enables the government to coordinate import and export activities and plan international trade.

**OBJECTIVES OF DEMAND FORECASTING:**

Demand forecasting constitutes an important part in making crucial business decisions.

**The objectives of demand forecasting are divided into short and long-term objectives, which are shown in Figure-1:**

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**The objectives of demand forecasting (as shown in Figure-1) are discussed as follows:**

**i. Short-term Objectives** **Include the following:**

**a. Formulating production policy:**

Helps in covering the gap between the demand and supply of the product. The demand forecasting helps in estimating the requirement of raw material in future, so that the regular supply of raw material can be maintained. It further helps in maximum utilization of resources as operations are planned according to forecasts. Similarly, human resource requirements are easily met with the help of demand forecasting.

**b. Formulating price policy:**

Refers to one of the most important objectives of demand forecasting. An organization sets prices of its products according to their demand. For example, if an economy enters into depression or recession phase, the demand for products falls. In such a case, the organization sets low prices of its products.

**c. Controlling sales:**

Helps in setting sales targets, which act as a basis for evaluating sales performance. An organization make demand forecasts for different regions and fix sales targets for each region accordingly.

**d. Arranging finance:**

Implies that the financial requirements of the enterprise are estimated with the help of demand forecasting. This helps in ensuring proper liquidity within the organization.

**ii. Long-term Objectives** **Include the following:**

**a. Deciding the production capacity:**

Implies that with the help of demand forecasting, an organization can determine the size of the plant required for production. The size of the plant should conform to the sales requirement of the organization.

**b. Planning long-term activities:**

Implies that demand forecasting helps in planning for long term. For example, if the forecasted demand for the organization’s products is high, then it may plan to invest in various expansion and development projects in the long term.

**FACTORS AFFECTING DEMAND FORECASTING:**

Demand forecasting is a proactive process that helps in determining what products are needed where, when, and in what quantities. There are a number of factors that affect demand forecasting.

**Some of the factors that influence demand forecasting are shown in Figure-2:**

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**The various factors that influence demand forecasting (“as shown in Figure-2) are explained as follows:**

**i. Types of Goods:**

Affect the demand forecasting process to a larger extent. Goods can be producer’s goods, consumer goods, or services. Apart from this, goods can be established and new goods. Established goods are those goods which already exist in the market, whereas new goods are those which are yet to be introduced in the market.

Information regarding the demand, substitutes and level of competition of goods is known only in case of established goods. On the other hand, it is difficult to forecast demand for the new goods. Therefore, forecasting is different for different types of goods.

**ii. Competition Level:**

Influence the process of demand forecasting. In a highly competitive market, demand for products also depend on the number of competitors existing in the market. Moreover, in a highly competitive market, there is always a risk of new entrants. In such a case, demand forecasting becomes difficult and challenging.

**iii. Price of Goods:**

Acts as a major factor that influences the demand forecasting process. The demand forecasts of organizations are highly affected by change in their pricing policies. In such a scenario, it is difficult to estimate the exact demand of products.

**iv. Level of Technology:**

Constitutes an important factor in obtaining reliable demand forecasts. If there is a rapid change in technology, the existing technology or products may become obsolete. For example, there is a high decline in the demand of floppy disks with the introduction of compact disks (CDs) and pen drives for saving data in computer. In such a case, it is difficult to forecast demand for existing products in future.

**v. Economic Viewpoint:**

Play a crucial role in obtaining demand forecasts. For example, if there is a positive development in an economy, such as globalization and high level of investment, the demand forecasts of organizations would also be positive.

**UNIT – 3 SERVICE MARKETING**

**INTRODUCTION:**

Services are the non-physical, intangible parts of our economy, [as opposed to goods](https://marketbusinessnews.com/financial-glossary/goods/), which we can touch or handle.

Services, such as banking, education, medical treatment, and transportation make up the majority of the economies of the rich nations. They also represent most of the emerging nations’ economies.

During the twentieth century, manufacturing and agriculture shrank as a share of economic activity.

## Definition

A type of [economic](http://www.investorwords.com/1639/economic.html) [activity](http://www.investorwords.com/92/activity.html) that is intangible, is not stored and does not [result](http://www.investorwords.com/7202/result.html) in [ownership](http://www.investorwords.com/16088/ownership.html). A service is consumed at the [point of sale](http://www.investorwords.com/3725/point_of_sale.html). Services are one of the two key components of [economics](http://www.investorwords.com/1648/economics.html), the other being [goods](http://www.investorwords.com/2209/goods.html). Examples of services [include](http://www.investorwords.com/9996/include.html) the [transfer](http://www.investorwords.com/5048/transfer.html) of goods, such as the postal service delivering mail, and the use of expertise or [experience](http://www.investorwords.com/13271/experience.html), such as a [person](http://www.investorwords.com/14646/person.html) visiting a [doctor](http://www.investorwords.com/9484/doctor.html).

**CHARACTERISTICS/NATURE OF SERVICES**:

#### 1. Perishability:

Service is highly perishable and time element has great significance in service marketing. Service if not used in time is lost forever. Service cannot store.

#### 2. Fluctuating Demand:

Service demand has high degree of fluctuations. The changes in demand can be seasonal or by weeks, days or even hours. Most of the services have peak demand in peak hours, normal demand and low demand on off-period time.

#### 3. Intangibility:

Unlike product, service cannot be touched or sensed, tested or felt before they are availed. A service is an abstract phenomenon.

#### 4. Inseparability:

Personal service cannot be separated from the individual and some personalised services are created and consumed simultaneously. For example hair cut is not possible without the presence of an individual. A doctor can only treat when his patient is present.

#### 5. Heterogeneity:

The features of service by a provider cannot be uniform or standardised. A Doctor can charge much higher fee to a rich client and take much low from a poor patient.

#### 6. Pricing of Services:

Pricing decision about services are influenced by perishability, fluctuation in demand and inseparability. Quality of a service cannot be carefully standardised. Pricing of services is dependent on demand and competition where variable pricing may be used.

#### 7. Service quality is not statistically measurable:

It is defined in form of reliability, responsiveness, empathy and assurance all of which are in control of employee’s direction interacting with customers. For service, customers satisfaction and delight are very important. Employees directly interacting with customers are to be very special and important. People include internal marketing, external marketing and interactive marketing.

**VARIOUS CLASSICIFICATIONS OF SERVICES:**

Different service providers offer different services. We can classify them into various types as below:

1. **Personal services:**individual offers such services to owner like washing, tailoring, hair cutting, nurshing and other personal care services.. mostly service provider is compensated with money or other benefits.
2. **Office assistance:** business firm needs certain services of clerk, peon, typist, accountant, security and such others for office administration. Such staff is paid by salary.
3. **Trade aided services:** these services are offered by service industries such as banking, warehousing, insurance, transportation etc. they charges fees or commission.
4. **Professional services:** qualified and trained professionals like CA, advocates, doctors provide expert services and charges fees from their clients.
5. **Product aided services:** repairing, inspection, demonstration, installation, up gration offered by company, middilemen and by the salesman are product aided services. Such service called after sale services.these services may be offered with or without charges.
6. **Educational services:** educational institutes like school, colleges, training institutes and universities meet educational needs of people. The service include teaching, training and development. They charges fees for their services.
7. **Entertaining services:** hotel, resort, films etc provide facilities to entertain their customers. Charges depend on location, service quality, status and time.

**DIFFERENCE BETWEEN PRODUCT MARKETING & SERVICE MARKETING:**

Product marketing is a process of promoting and selling a product to a customer. Also product marketing is defined as being the intermediary function between product developments and increasing brand awareness. For example, product management deals with the basics of [product development](https://en.wikipedia.org/wiki/Product_development) within a firm, whereas product marketing deals with marketing the product to [prospects](https://en.wikipedia.org/wiki/Prospect_%28marketing%29), [customers](https://en.wikipedia.org/wiki/Customer), and others. Product marketing, as a job function within a firm, also differs from other marketing jobs such as [social media marketing](https://en.wikipedia.org/wiki/Social_media_marketing), [marketing communications](https://en.wikipedia.org/wiki/Marketing_communications) , [online marketing](https://en.wikipedia.org/wiki/Online_marketing), [advertising](https://en.wikipedia.org/wiki/Advertising), [marketing strategy](https://en.wikipedia.org/wiki/Marketing_strategy), and [public relations](https://en.wikipedia.org/wiki/Public_relations), although product marketers may use channels such as online for outbound marketing for their product.

A [product market](https://en.wikipedia.org/wiki/Product_market) is something that is referred to when pitching a new product to the general public. Product market definition focuses on a narrow statement: the product type, customer needs (functional needs), customer type, and geographic area.

## Definition of Product Marketing:

Product marketing is the overall process of conveying information about a good or a service to the potential customers. It includes defining the scope of the product line, identification of potential markets for the product, determining optimum price through relevant pricing methods & strategies for the market, encouraging potential customers to make purchase decisions in favour of the product or service and finding the most suitable distribution methods for delivering the product to its customers or to the appropriate sales-locations.

**DEFINITION OF SERVICE MAKETING:** The promotion of economic activities offered by a business to its clients. Service marketing might include the process of selling telecommunications, health treatment, financial, hospitality, car rental, air travel, and professional services.

**KEY DIFFERENCE BETWEEN PRODUCT MARKETING & SERVICE MARKETING:**

| **BASIS FOR COMPARISON** | **PRODUCT MARKETING** | **SERVICE MARKETING** |
| --- | --- | --- |
| Meaning | Product marketing refers to the process in which the marketing activities are aligned to promote and sell a specific product for a particular segment. | Service marketing implies the marketing of economic activities, offered by the business to its clients for adequate consideration. |
| Marketing mix | 4 P's | 7 P's |
| Sells | Value | Relationship |
| Who comes to whom? | Products come to customers. | Customers come to service. |
| Transfer | It can be owned and resold to another party. | It is neither owned nor transferred to another party. |
| Returnability | Products can be returned. | Services cannot be returned after they are rendered. |
| Tangibility | They are tangible, so customer can see and touch it, before coming to the buying decision. | They are intangible, so it is difficult to promote services. |
| Separability | Product and the company producing it, are separable. | Service cannot be separated from its provider. |
| Customization | Products cannot be customized as per requirements. | Services vary from person to person, they can be customized. |
| Imagery | They are imagery and hence, receive quick response from customers. | They are non-imagery and do not receive quick response from customers. |
| Quality comparison | Quality of a product can be easily measured. | Quality of service is not measurable. |

**SHORT NOTE ON: PARADIGMS IN SERVICE MARKETING:**

Manufacturing industries grew because they produced tangible goods which satisfied man’s psychological needs of food, shelter and clothing. As the basic need was fulfilled there was demand for improved satisfaction, and this led to a variety of the same product. And a number of companies involved in its manufacturer. The growth of service industries can be traced to the economic development of society and the socio cultural changes that have accompanied it. Changing environmental forces brought out the various types of services in forefront of the company. The following environmental factors are responsible to make a new service:

1. Consumer affluence: Due to the fast rise in the income of consumers, they are attracted towards the new areas like clubs, health clubs, domestic services, travel and tourism, banking, investment, insurance etc and these are growing much faster than ever before. These is a significance change in the patterns of family expenditure.
2. Working women: during the recent times a number of women have come up in the variety of professions. The work performance of women in the most of services sector like bank, insurance, airlines etc. is highly appreciation. In short, women are getting involved in almost all male dominated activities.
3. Product innovation: in the changing time the consumers have become more conscious of quality than cost. They need some unique product with various features. And which is easy to use and increase their status in the society.
4. Product complexity: a large number of products are now being purchased in households which can be serviced only by specialized persons. For example, water purifiers, microwave oven, computers, etc giving rise to the need for services. So this creates demand for skilled worker.
5. Complexity of life: certain product and service have made human life more comfortable and complex as well. Also, life itself becomes more complex due to socio economic, technological and legal change. This has brought about the emergence of services like legal aid, tax consultant, professional services, airlines, banking, insurance etc.
6. Greater life expectancy: today, life expectancy of people has increased in all over the world barring few developing countries. In may due to the advancement in the medical technology, and awareness about health and education. So it invites hospitals, medical insurance etc.
7. New young youth: every new generation has its own characteristics and enjoys a different life style. There is a lot of difference between the generations in respect to their style, maturity, thinking, behavior, attitude and so on. Today’s generation with all these changes provide more opportunities to services like entertainment, fast food, travel, resorts, educational institutions etc

**WRITE A NOTE ON SERVICE MARKETING SYSEM:**

Service marketing system involves 3 types of marketing:



Each actor works together to develop, promote, and deliver a company’s service. As you can see from the diagram we represent actors by the points of the triangle. Our actors are:

* **Company**: refers to the leadership team of the company in question.
* **Employees**: refers to all employees, including subcontractors who deliver the company’s service.
* **Customers**: refers to all customers and potential customers of the company.

The lines between the points show the different types of marketing that must occur:

* **External Marketing**: occurs between the company and its customers.
* **Internal Marketing**: occurs between the company and its employees.
* **Interactive Marketing**: occurs between the employees and the customers.

## External Marketing:

Companies use external marketing to make promises to customers. External marketing is any communication to customers (or potential customers) that happens before service delivery starts.

Forms of external marketing include:

* Advertising
* Personal selling
* Public relations (PR)
* Direct marketing

We use external marketing to achieve many aims including:

* Creating awareness.
* Setting price expectations.
* Setting service level expectations.
* Informing customers if any prerequisites that must be in place before they can use the service.

## Internal Marketing:

Within a services business, we view employees as internal customers. They are a market which we must please first as a company. The leadership team should be focused on satisfying its employees so that they want to better serve customers.

Internal marketing involves motivating employees to work as a team to make customers satisfied. This is obviously true for customer service representatives. It can equally be applied to all employees. This results in everyone, at all levels of the organization, being empowered to deliver great customer service.

**Key components of internal marketing include:**

* Motivating employees
* Teaching customer satisfaction techniques
* Communicating company goals regularly
* Management of change
* Training staff on how to use the company’s services
* Good pay and working conditions

## Interactive Marketing

Interactive marketing occurs when employees and customers interact. It is here where the promises made during external marketing are either kept or broken by employees or sub-contractors.

Each significant interaction between an employee and a customer is known as a service encounter.

Interactive marketing is important because it establishes both short-term and long-term satisfaction. That is, if the customer is satisfied with the service they received in the short-term, they are more likely to be satisfied over the longer term.

# Service Sector in India:

## ****Introduction to the Service Sector in India****

The growth of the Services Sector in India is a unique example of leap-frogging traditional models of economic growth. Within a short span of 50 years since independence, the contribution of the service sector in India to the country’s GDP is a lion’s share of over 60%. However, it still employs only 25% of the labour force. Consequently, agriculture (which is stagnant) and manufacturing (which has not yet risen to its full potential) continue to sustain the majority of our employed population. This presents a unique challenge to future economic growth in India and requires out of the box solutions that will help rapidly harness the potential of the service industry in India. Invest India takes a look at the contribution of the services sector in the Indian economy, its successes and also explores potential enablers for future equitable economic growth.

## ****Market Size of Service Industry****

A quick comparison with the American and Chinese economy reveals the unique nature of India’s GDP growth from the contribution of the Service sector and its linkages to employment and income distribution (Figures in bracket indicate employment). Over time, a robust manufacturing and productive agriculture sector leads to the Service industry in India becoming the mainstay of GDP and employment. In our context, the Service sector has become extremely important to grow not only our GDP, as well as make it the key vehicle for employment generation. However, the question is - how to increase value add to GDP from Service companies in India, while reducing employment dependency from agriculture, as well as boosting the manufacturing industry.

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| --- | --- | --- | --- |
|   | India | USA | China |
| Agriculture and Allied | 15.4%(53%) | 8%(2%) | 7%(26%) |
| Manufacturing and Industry | 23%(22%) | 12%(19%) | 40%(28%) |
| Services\* | 61.5%(25%) | 80%(79%) | 52%(46%) |

(\*IT contributes the majority)

The current growth of service sector in India is based mainly on labour market arbitrage. Moving forward, India can no longer rely on ‘low cost’ for ‘low value added’ services. Therefore, we need solutions that address these:

i) Boosting the manufacturing sector with both direct and indirect spin - off benefits for the growth of the service sector in India (e.g. Make in India)
ii) Moving up the value chain, especially in the IT/ ITeS sector.
iii) Broad - basing the Indian Services offering platform into sectors beyond the traditional IT/ ITeS by identifying the global demand for such services, and meeting these demands based on our natural competencies and comparative advantages.

**UNIT-4 RECENT NEW CONCEPT OF MARKETING**

**Rural marketing**

### Concept of Rural Marketing:

The concept of Rural Marketing in India Economy has always played an influential role in the lives of people. In India, leaving out a few metropolitan cities, all the districts and industrial townships are connected with rural markets. The rural market in India generates bigger revenues in the country as the rural regions comprise of the maximum consumers in this country. The rural market in Indian economy generates almost more than half of the country’s income. Rural marketing in Indian economy can be classified under two broad categories.

i. The market for consumer goods that comprise of both durable and non-durable goods

ii. The market for agricultural inputs that include fertilizers, pesticides, seeds, and so on

The concept of rural marketing in India is often been found to forms ambiguity in the mind of people who think rural marketing is all about agricultural marketing. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas.

**To be precise, rural marketing in India Economy covers two broad sections, namely:**

i. Selling of agricultural products in the urban areas

ii. Selling of manufactured products in the rural regions

In rural marketing, a firm has to undergo marketing efforts to satisfy rural segments, which notably differ from urban segments in some aspects. At the same time, we must note that increasing literacy rate, improved sources of income, awareness due to improved and increased means of communication and transportation, high rate of mobility within and between countries due to liberalization and globalization, and many other such reasons, some customers are likely to be identical.

Even, a few rural customers seem cosmopolitan! So, one can find customers of different behaviour patterns within a village or a town. In the same way, most of products are commonly used in both urban and rural areas. In some aspects, both rural and urban customers behave in homogeneous pattern. Some Indian customers have become global and cosmopolitan!

### Definitions:

‘Rural marketing’ is similar to simply ‘marketing.’ Rural marketing differs only in terms of buyers. Here, target market consists of customers living in rural areas. Thus, rural marketing is an application of marketing fundamentals (concepts, principles, processes, theories, etc.) to rural markets.

1. Let us define the term in simple way as: Rural marketing concerns with planning and implementing marketing programmes (often referred as marketing strategies or simply 4P’s) for rural markets to achieve marketing goals.

2. In more specific words: Rural marketing is a process of developing, pricing, promoting, and distributing rural specific goods and services leading to desired exchange with rural customers to satisfy their needs and wants, and also to achieve organizational objectives.

3. Marketing efforts remain same, only important aspect is type of buyers. So, the term can be defined as: When marketing activities are undertaken for rural segments, it is turned as rural marketing and the management is called rural marketing management.

4. Since marketing manager has to carry out similar tasks. So, definition of marketing stated by American Marketing Association can be equally applicable in relation to rural segments. We will add only specific word ‘rural’ to define the term: Rural marketing is a process of planning, and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchange (for rural segments) that satisfy individual and organizational objectives.

(Only the word ‘rural’ has been added to the definition adopted by the AMA. The word implies that marketing activities are undertaken in rural areas to satisfy rural segments.)

5. More specifically, it can be said: Rural Marketing means to produce products (goods and services) for the rural customers and to make necessary arrangement to supply them.

6. At last, we can say: Rural marketing is the marketing for the customers residing in rural areas. It involves designing marketing programme (4P’s) to arrive at desired exchange with the rural customers that satisfies their needs and wants.

**ELEMENTS/CHARACTERISTICS OF RURAL MARKETING/MARKET:**

**1. More Prospective:** With the initiation of various rural development programmes, there has been an upsurge of employment opportunities for the rural poor. One of the biggest cause behind the steady growth of rural market is that it is not exploited and also yet to be explored.

#### 2. Size:

The rural market in India is vast and scattered, and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions, and thereby, the maximum number of consumers. Rural market is account for about 74% of total Indian population.

#### 3. Nature:

The social status of the rural regions is precarious (uncertain) as the income level and literacy is extremely low along with the range of traditional values and superstitious beliefs that have always been a major impediment (obstacle) in the progression of this sector.

#### 4. Response to Products:

**Product-related features of rural segment are:**

i. Rural markets (buyers) believe in product utility rather than status and prestige. However, they like novel products with distinctive features.

ii. Most village customers consider tastes rather than usefulness in long run.

iii. They like simple and long-life products. They are interested in immediate results. Products must offer immediate benefits.

iv. They respond to those products that suit their religious faith, and social norms and customs.

v. They ask for such products which can assists in their traditional occupations and life style.

vi. They have minimum urge for individuality. They prefer family-used products than personal- used products.

vii. They strongly prefer such products that can change and improve their life-style.

viii. They are less concerned with product services associated with products like after-sales services, guarantee and warrantee, home delivery, and other similar services. Branding, packaging, and labeling have less influence compared to urban segments.

#### 5. Response to Price:

**Price-related features of rural segments include:**

i. Rural customers are price-sensitive and highly influenced by level of pricing. Price is the strongest factor that affects their buying decision.

ii. They buy those products which are low in price and medium in quality.

iii. They are easily attracted by price discounts and rebates.

iv. They prefer credit facility. They normally have strong desire to postpone payment for certain period.

v. Some middle class rural customers are attracted by installment and loan facility.

#### 6. Response to Promotion:

**Promotion-related features of rural segment include:**

i. Rural customers are highly attracted by local and regional promotional efforts.

ii. Their reference groups consist of educated and non-educated family members and relatives living in urban areas and foreign countries as well.

iii. Personal selling seems more influential to convince rural mass.

iv. They are attracted by such sales promotional tools or articles which are useful in their routine life such as knife, gas lighter, rings, key-chains, caps, photos of local actors, calendars and cards with religious impression, etc.

v. They have a strong faith on local religious and spiritual leaders. Such leaders are among the most influential reference groups.

vi. Publicity efforts related to local vocational and agricultural activities can impress them.

vii. They can be appealed by visual or pictorial advertisements published in local and regional languages.

#### 7. Response to Distribution:

**Distribution-related features of rural segment include:**

i. Normally, they buy from familiar retailers and salesmen. They are hesitant to buy from big shopping malls or departmental stores. However, situation is changing gradually.

ii. Rural customers strongly favour relations. They continue buying from known and established retailers who maintain close family relations with them.

iii. Mostly they buy from retail outlets situated in rural or sub-urban areas. However, some rural customers like to buy products from nearby cities also.

iv. Normally they place frequent orders of small in size. They lack storage facilities.

v. They are not interested in home-delivery. They want immediate possession. They lack patience. They are found eager to possess and use the products immediately.

vi. Caste, religion, political party, relations, etc., play important role in selecting the retailers.

vii. Online and direct marketing are not much popular in rural areas. Sometimes, a few of them are interested in network marketing.

#### 8. Predictability:

Unlike urban markets, the rural markets are difficult to predict, and possess special characteristics. The featured population is predominantly illiterate, have low and irregular income, lack of monthly income, and flow of income fluctuating with the monsoon winds. They don’t have a stable pattern of reacting due to income factors.

#### 9. Role of Government:

Demand of products depends on availability of basic facilities like electricity, transportation, schools, hospitals, etc. The steps taken by the Government of India to initiate proper irrigation, infrastructural developments, prevention of flood, grants for fertilizers, and various schemes to cut down the poverty line have improved the condition of the rural masses. Rural market depends on government’s contribution to the rural sector.

#### 10. Rigidity:

Most rural customers are illiterate, backward, and orthodox. It is very difficult to convince them to buy the products. They believe in the present and lack ambitions.

#### 11. High Level of Heterogeneity:

We find different types of buyers in rural areas. Some are simple, while some are sophisticated; some are extreme rich, while some are extreme poor; some are highly educated, while some are complete illiterate; some are dynamic and modern, while some are very rigid and orthodox; some believe in quality and status, while some believe in availability and price.

Rural customers are gradually transforming into urban, metropolitan, and even cosmopolitan customers. Improved education, rapid means of transportation, access to advance communication, raised living standards, craze to follow modern (even ultramodern) life pattern, and many similar factors have drastically changed rural consumer behaviour. The gap between urban and rural segments tends to be notably narrow. Sometimes, rural and urban customers exhibit no difference at all.

#### IMPORTANCE OF RURAL MARKETING:

#### 1. Reduced Burden on Urban Population:

Rural marketing can contribute to rural infrastructure and prosperity. People can also live comfortably in villages due to availability of all goods and services in villages, even comparatively at low price. People, due to growth of marketing activities, can earn their livelihood in rural places. Population pressure on urban can be reduced.

#### 2. Rapid Economic Growth:

Naturally, marketing acts as catalyst agent for economic growth. There exists more attractive business opportunities in rural than urban. Rural market is more potential for consumer durables and services. Rural population largely depends on agriculture and it can contribute nearly 50% to total national income. Agriculture enjoys significant portion in export business, too. Rural marketing improves agricultural sector and improved agricultural sector can boost whole economy of the country.

#### 3. Employment Generation:

At present, nearly 70% of total Indian population feeds on agricultural activities in rural areas. Rural marketing can generate more attractive employment opportunities to rural and urban people. Growth of rural marketing leads to increased business operations, professional activities, and services that can generate a lot of employment opportunities.

#### 4. Improved Living Standard:

Due to rural marketing system, rural buyers can easily access needed standard goods and services at fair prices. In the same way, rural marketing improves rural infrastructure. Additionally, rural marketing can also improve their income. These all aspects can directly improve living standard.

#### 5. Development of Agro-based Industries:

Rural marketing leads to set up agro-based processing industries. Fruits, vegetables, cereals, pulses, etc., are used as raw-materials. Such industries can improve farmers’ profit margin and employment opportunities.

#### 6. Optimum Utilization of Rural Untapped Resources:

There are unlimited businesses opportunities exist in rural areas. Untapped and underutilized resources can be utilized at optimum level and that can further accelerate overall economic growth.

#### 7. Easy Marketability of Agricultural Produces:

Growth of rural marketing improves whole marketing system. Multiple options are available to farmers and local producers to market their products. Big domestic corporate houses and multinational companies prefer to buy agricultural products directly from villages by their own or through agents and small firms. Rural producers can sell their produces easily at satisfactory prices. Their improved income level can improve their purchasing power that can further fuel to industrial demand.

#### 8. Improved Rural Infrastructures:

Rural marketing and basic infrastructures go hand to hand. Growth of rural marketing leads to improved transportation, insurance, banking, communication, entertainment, and other facilities. Due to availability of basic infrastructural facilities, business units can easily reach the target rural buyers.

#### 9. Price Stability:

Marketing results into better transportation, warehouses, and communication facilities. Agricultural products can be systematically marketed throughout the year. Huge gap between demand and supply can be avoided and, as a result, prices of most of commodities remain more or less stable.

#### 10. Quality of Life and Reduced Crime:

Marketing can refine entire living style and system. Better quality products at reasonable price, improved income level, availability of facilities, etc., have direct positive impacts on quality of life. Quality of life improves and level crime reduces.

#### 11. Balanced Industrial Growth:

The gap between rural and urban development can be reduced gradually. Rural development improves rural life and reduces pressure on urban life.

#### 12. Others:

Apart from these points, there are a number of ways that rural marketing can significantly contribute to economic and social development.

**Some points have been listed below:**

i. Creating self-reliant villages

ii. Increased literacy rate and overall development

iii. Attracting giant business groups in rural places

iv. Rigorous research and development in agricultural sector

v. Growth of academic and training institutes in rural areas

Vi. Increased representation of rural population, and increased political influence, etc.

**Green marketing**

### ****Meaning****

Here, term ‘green’ is indicative of purity. Green means pure in quality and fair or just in dealing. For example, green advertising means advertising without adverse impact on society. Green message means matured and neutral facts, free from exaggeration or ambiguity. Green marketing is highly debated topic for lay people to highly professional groups.

Concept of green marketing concerns with protection of ecological environment. Modern marketing has created a lot of problems. Growth in marketing activities resulted into rapid economic growth, mass production with the use of advanced technology, comfortable and luxurious life, style, severe competition, use of unhealthy marketing tactics and techniques to attract customers, exaggeration in advertising, liberalization and globalization, creation of multinational companies, retailing and distribution by giant MNCs, etc., created many problems.

Departmental stores, specialty stores, and shopping malls are flooded with useful as well as useless products. These all factors have threatened welfare of people and ecological balance as well. Particularly, giant factories have become the source of different pollutions. Production, consumption and disposal of many products affect environment adversely.

Excessive pollution has provoked the Nature and the Nature starts behaving in unnatural ways (in form of global warming v/s global cooling, heavy rains v/s draught, and other natural calamities like frequent earthquakes and tsunami, cyclones, epidemics, and so forth). Economic growth via production and consumption threatens peaceful life of human being on the earth. Green marketing is an attempt to protect consumer welfare and environment (the nature) through production, consumption, and disposal of eco-friendly products.

**Basically, green marketing concerns with three aspects:**

1. Promotion of production and consummation of pure/quality products,

2. Fair and just dealing with customers and society, and

3. Protection of ecological environment.

To increase awareness, 5th June is declared as the World Environment Day. Green marketing emphases on protection of long-term welfare of consumers and society by production and use of pure, useful, and high quality products without any adverse effect on the environment. Mass media have started their campaign for protecting the earth from further deterioration. Worldwide efforts are made to conserve natural water resources.

Thus, green marketing is a marketing philosophy that promotes production and selling of pure (eco-friendly) products with protection of ecological balance. Green marketing involves multiple activities. Green Marketing encourages production of pure products by pure technology, conservation of energy, preservation of environment, minimum use of natural resources, and more use of natural foods instead of processed foods. Efforts of people, social organisations, firms, and governments in this regard can be said as green marketing efforts.

**Impacts or Importance of Green Marketing:**

Green marketing affects positively the health of people and the ecological environment. People are aware of pure products and pure methods of producing, using, and disposing the products. It encourages integrated efforts for purity in production and consumption as well.

**We can witness following impacts of green marketing:**

1. Now, people are insisting pure products – edible items, fruits, and vegetables based on organic farming. The number of people seeking vegetarian food is on rise.

2. Reducing use of plastics and plastic-based products.

3. Increased consumption of herbal products instead of processed products.

4. Recommending use of leaves instead of plastic pieces; jute and cloth bags instead of plastic carrying bags.

5. Increasing use of bio-fertilizers (made of agro-wastes and wormy-composed) instead of chemical fertilizers (i.e. organic farming), and minimum use of pesticides.

6. Worldwide efforts to recycle wastes of consumer and industrial products.

7. Increased use of herbal medicines, natural therapy, and Yoga.

8. Strict provisions to protect forests, flora and fauna, protection of the rivers, lakes and seas from pollutions.

9. Global restrictions on production and use of harmful weapons, atomic tests, etc. Various organisations of several countries have formulated provisions for protecting ecological balance.

10. More emphasis on social and environmental accountability of producers.

11. Imposing strict norms for pollution control. Consideration of pollution control efforts and eco-technology in awarding IS), ISO 9000, or ISO 14000 certificates and other awards.

12. Declaration of 5th June as the World Environment Day.

13. Strict legal provisions for restricting duplication or adulteration.

14. Establishing several national and international agencies to monitor efforts and activities of business firms in relation pollution control and production of eco-friendly products.

**Green products and its elements:**

A green product is a sustainable product designed to minimize its environmental impacts during its whole life-cycle and even after it’s of no use.

Green products are usually identified by having two basic goals – reducing waste and maximizing resource efficiency. They are manufactured using toxic-free ingredients and environmentally-friendly procedures and are certified by recognized organizations like Energy star, Forest Stewardship Council, etc.

Some of the characteristics of a green product are:

* Grown without the use of toxic chemicals and within hygienic conditions
* Can be recycled, reused and is biodegradable in nature
* Comes with eco-friendly packing
* Uses the least resources
* Is eco-efficient
* Has reduced or zero carbon footprint
* Has reduced or zero plastic footprint

In the usual scenario, brands producing green products use [green marketing](https://www.feedough.com/what-is-green-marketing-the-complete-guide/) to communicate their [value proposition](https://www.feedough.com/what-is-a-value-proposition-definition-examples-templates/) to the market.

**Social marketing**

### ****Meaning:****

Social marketing is the systematic application of marketing along with other concepts and techniques to achieve specific behavioural goals for a social good. For example, this may include asking people not to smoke in public areas, asking them to use seat belts or prompting to make them follow speed limits.

The primary aim of social marketing is ‘social good’, whereas in commercial marketing the aim is primarily ‘financial’. This does not mean that commercial marketers cannot contribute to achievement of social good.

**Definition:**

Application of commercial marketing concepts, knowledge, and techniques to non-commercial ends (such as campaigns against smoking and drunken driving) for the society's welfare.

 Use of commercial marketing in promotion of goods and services in a way that helps in promoting the consumers' and, by extension, the society's well being.

**Elements of social marketing:** The following elements are central to social marketing:

**1. Customer Orientation**: Just like any marketing, ‘Consumer orientation’ is central in social marketing as well. However, people prefer to call ‘target adopters’ instead of consumers, because it is seeing things through their eyes. It is finding about their lives, needs, fears, aspirations and concerns.

#### 2. Behavioural Focus:

In Social Marketing the focus is not just on changing behaviour, but being able to influence and sustain positive behaviours over time. A successful social marketing programme starts with very clear, realistic and measurable behavioural goal.

#### 3. The Notion of Exchange:

In social marketing, exchange implies that the marketer has to understand and offer benefits that the target adopter values. This means the ‘change agent’ (the organisation involved into social marketing) must create an offer that would be attractive to target adopters. The offer may be either tangible or intangible.

#### 4. Competition:

The offer of the change agent must be more competitive from that of its competitors (not necessarily products or companies but may include commercial marketing).

#### 5. Long-term Planning:

Since it takes long time to change and needs commitment and close co-operation between an organisation and the target audience, the long-term planning is required. In social marketing competition comes mainly from external and internal competition. External competition comes from the influence of those people, environments, systems, social norms or organisations that directly or indirectly promote a counter behaviour (like Khanp Panchayats). Interval competition comes from feelings, attitudes, addiction, etc.

#### 6. Marketing Mix:

Gone are the days when social marketing was restricted to only promotion. In fact, it has to be an integrated market mix and a conscious marketing orientation on the part of change agent. The change in behaviour or promotion of idea is the product. Price is the costs to the individual to change the behaviour. Place refers to where physical goods shall be distributed or service rendered. For blood donation camps the location has to be convenient. But the promotion has to be similar to commercial marketing.

The difference between social and societal marketing concepts is that social marketing is application of marketing by different groups (NGOs) to change the behaviour of target group, where as societal marketing is concerned about the companies which include social interests in their marketing decisions.

#### Importance of social marketing:

Business is marketing and marketing is business. The ultimate purpose of business, from the point of view of society, is to produce products and render services for exchanging for money by which needs of man can be fulfilled and the needs of society can be looked after.

In short, it is doing of same social good. A business firm is an economic institution of society, and the businessmen and the marketers are members of society and their actions and performances are for the consumers who are also markers of society.

Therefore, a business is something which has social implication. Society-oriented marketing rather than marketing-oriented society is a basic necessity.

Henry Ford once said that he wanted to produce more cars in the interest of society than profit. Mahatma Gandhi, in his theory of trusteeship, advocated that businessmen should produce wealth for the benefit of society and preserve such wealth as the trustees of society.

Here, wealth does not mean profit but something more to include socially desirable wealth. It is society that provides the necessary infra-structure, facilities, security and opportunities for business. So the marketing policies and objectives of business should be framed in a way that would contribute liberally to the social well-being.

**Cyber marketing/online marketing/direct marketing:**

#### Meaning:

Internet marketing, also referred to as web marketing, online marketing, or e-marketing, is the market­ing of products or services over the Internet. The Internet has brought media to global audience. The interactive nature of the Internet marketing in terms of providing instant responses and eliciting responses is the unique quality of the medium.

Internet marketing is sometimes considered to be broad in scope because it not only refers to marketing on the Internet but also includes marketing done via e-mail and wireless media. The management of digital customer data and electronic customer relationship management systems are also often grouped together under the Internet marketing.

**Definition**:

“It is marketing that is carried out exclusively on the Internet. Marketing professionals use various online adverts to drive traffic to a specific website or web page. Email litsts, banner ads, PPC (pay per click), and social media marketing are examples of methods used in Internet marketing. It is a rapidly growing business.”

**Elements of cyber marketing:**

Internet marketing or online marketing is transforming into wider mixes of elements any company can use to increase sales. Internet marketing can be utilized whether a company is running a business totally or partly online or totally offline. Today internet marketing is becoming an increasingly important phenomenon of every company’s marketing mix. Here we bring you elements of internet marketing which we believe in order of importance.

**Website:** Website consists of text, images, audio and video elements used to explain the company’s products and services. Capturing leads is one important feature in any website without which a company may lose potential customers. Website is an equivalent of brochures or mail order catalog and they are a great way to establish your business identity.

**Email marketing:** This element directly related to website which captures name and email addresses. Information on products and services can subsequently be distributed. It is sometimes called inbound marketing.

**Banner advertising:** This is placement of ads on a website for a fee. The similarity of this internet marketing element is traditional ads in newspapers, magazines or other electronic media.

**Article marketing:**You may write or hire online writer to write articles related to your business and having them published online on syndicated article sites. Articles have a viral probability to spread around the internet as article services permit re-publication while maintaining all back links. This is one way to boost traffic to your website and to promote brand to a wide audience.

**Social media marketing:** It has become an important part of marketing involving social networks like Twitter, LinkedIn, Facebook and social bookmarking sites like Digg.

**Blogging:**Blogging is part of marketing involving the act of posting comments and opinions, making announcements in a forum. These activities can be accomplished either by hosting own blog or by posting comments and URLs in other blogs related to your online products or services.

**Search Engine Marketing:**Search engine marketing is simply marketing a website on the internet through search engines. A company may improve its website’s ranking through search engine optimization, purchasing pay-per-click ads or purchasing pay-for-inclusion listings in website directories. These are similar to yellow page listings.

**Online press releases:** Online press releases involve placement of newsworthy features about a website, the company, its management team, its products and services with on online wire service.

The [internet marketing](http://inboxcashexpresslane.com/) has tremendous impacts on home businesses to exponentially prosper due to its reasonably lower cost to start, and has enabled home business owners to maintain internet presence. Internet marketing should be part of your business plan and your marketing strategy.

**IMPORTANCE/ADVANTAGES OF CYBER MARKETING:**

Internet marketing has become more and more popular nowadays among businesses around the world. After discovering the wide range benefits of internet marketing in promoting products and services online, it has soon become the leading medium for marketing all over the world.

With all the benefits that internet marketing can offer your business, developing a professional internet marketing campaign can attract more customers to your product or brand to grow your business more.

Here top 15 advantages of internet marketing for business are as follow:

### 1. Convenience and Quick Service

The incredible convenience of marketing online is one of the biggest advantages of internet marketing. The internet has extremely easy accessibility with consumers using the internet and reaching markets anywhere in the world. Because of this, purchasing goods from across borders now reduces the cost of transportation.

For importers, this is a huge advantage as it means they can order online right from the comforts of their home. In addition, you can easily track sales items online as they make their way into delivery. You can download digital products from the internet with just a click of a mouse. Internet marketing is great for business as it gives consumers a better and more comfortable shopping experience.

### 2. Low Cost for Operations

One of the main advantages of online marketing for businesses is its low operating cost. You can advertise cheaper with internet marketing than with traditional methods of advertisement such as ads in newspapers, on television and on the radio. In online marketing, you can easily get a free listing in a wide range of business directories.

In addition, the internet allows you to contact your customers more in comparison to how you would contact them traditionally. Online communication is more affordable than traditional communication methods such as sending mail and printing brochures. For example, you can send the same information in an email rather than a mail-out, saving you on printing, paper, and postage.

### 3. Measure and Track Results

An aspect of internet marketing that is rarely available with traditional marketing is the ability to measure and track results. With online marketing, your business can utilize varying tools for tracking results of your advertising campaigns. Using these tools, not only can you measure and track but also illustrate the progress of your marketing campaign in detailed graphics.

Measuring and tracking results gives your business a better idea of how your marketing campaign is faring. It gives you an idea of how you can better grow your traffic, leads, sales, and conversions. Without the ability to measure and track your results, you cannot alter or modify your marketing campaign so that it can better deliver the results you desire.

### 4. Demographic Targeting

Marketing your products and services online gives you the ability to target audience based on demography. This allows you to concentrate your efforts on the audience that you truly want to offer your products or services. With demographic targeting, you can better target your marketing efforts on specific demographic regions.

Demographic targeting gives you the ability to target specific customers you think are likely to purchase your product or hire your services. Every time someone visits your website and fills in a form, it gives you an idea of who your customers really are and lets you discover important details about them such as age and interests, which better shapes your services to match their needs.

### 5. Global Marketing

The ability to market your products and services globally is one of the biggest advantages of global marketing for business. Within several months of aggressive SEO, you can secure millions of viewers and reach huge audiences from across the world.

With internet marketing, you can easily reach beyond your geography to offer your products or services to customers worldwide. Wherever your target audiences are, you can easily reach them 24/7 and from any country all over the world. If your audience consists of more than your local market, utilizing global marketing offers you a great advantage.

### 6. Ability to Multitask

One of the core benefits of [online marketing](https://edkentmedia.com/digital-marketing-agency-services-toronto/) is its ability to handling millions of customers at the same time. As long as a website’s infrastructure is efficient, numerous transactions can easily take place simultaneously.

However, even with a large number of transactions taking place, your website is capable of providing satisfactory service to every customer who makes a purchase online, without the risk of diminished satisfaction. This high adaptability of internet marketing is an important benefit that businesses can take advantage of to provide their consumers the best shopping experience.

### 7. 24/7 Marketing

Internet marketing reduces cost and runs around the clock. That means that your marketing campaigns run for 24 hours a day, 7 days a week. Compared to traditional marketing, internet marketing does not constrain you with opening hours. At the same time, you would not be worrying about overtime pay for your staff.

In addition to this, there is no regional or international time difference for you to worry about that will affect the reachability or availability of your offers or online campaigns. Whenever someone opens their computer and connects to the internet, there is a higher chance of them seeing your marketing campaign. Furthermore, customers can look for your product at their most convenient time.

### 8. Automated, Tech-Savvy Marketing

Another advantage of internet marketing is that marketing this way is easy with a one-mouse-click automation. Compared to traditional offline marketing where marketers delegate various tasks to the best hands and talents, internet marketing takes advantage of a more tech-savvy method. With internet marketing, everything can go automated.

Internet marketing gives you the chance to turn every aspect of your business’s operations into a fully automated system. All you need to do is find the right tool and technology suited to your marketing campaign and you are done. By automating your marketing campaign, you can choose to do something more valuable with your time.

### 9. Data Collection for Personalization

Transactions through the internet allow you to collect data. Whenever a customer purchases a product through a company’s website, the data is captured. Your business can use this data in varying ways. Most businesses analyze the data to find out what product and/or services sell frequently.

Furthermore, the data collected can help segment customers, so your business can send them ads and other promotional materials based on their buying habits and interests. There are various ways that you can collect customer data including customer profiles or through their behaviour while on your website.
The information collected through this method typically includes age, gender, location, how they came to your site, what sites they visited after they left, viewed products and the pages visited on your site.

Another way of collecting customer data is the use of internet tools or with tracking software. Compared to traditional marketing, online marketing allows for better data collection as well as personalization.

Through this advantage of internet marketing, businesses can serve millions of customers with various items and products based on their personal interests. Thus, shoppers can easily get their desired products without having to comb through the internet all day.

### 10. Diversified Marketing and Advertising

When targeting your audience, diversification plays an important role in your marketing and advertising campaigns. Diversification means that you can use a variety of tactics and strategies in order to reach your prospects. With online marketing, diversification becomes a lot easier. In addition to that, it is possible for you to run varying marketing techniques simultaneously to better implement your marketing campaign.

### 11. Easy Tweaking to Your Marketing and Advertising Campaigns

It is inevitable in marketing and advertising that something needs to be tweaked in order to optimize your campaigns. Compared to traditional marketing, online advertising is much easier to tweak. Whenever the campaign needs to be modified, online marketing allows the modification to happen without having to worry about downtime, service interruption or even halting the entire system.

This means that you can easily change the appearance of your online shopping mall – your website – by changing a few lines in the CSS that link to the web page.

### 12. Instant Transaction Service

Executing transactions is easy and nearly instant online. You can do this through a digital payment service so that there is no need for a cash to go between the marketer and the customer to buy and sell merchandise. This is all possible due to payment processing solutions executed by third party payment processing companies such as PayPal.

### 13. Better Sales Relationships

In traditional marketing, merchants often give their business cards or pamphlets to their customers after a sale. However, what happens is often on such occasions, the customers lose the cards or misplace it. The only time the seller would remember about the card was if they had the intention of visiting the seller again.

In the end, most customers do not remember the seller much less the card, so this marketing method does not work to convince buyers to return. This is different with internet marketing where the marketers can easily collect email addresses of their prospects and buyers, which they can use in reaching out and forming a relationship with the customer.

The marketer can use this email address to provide customers with valuable information such as information about the purchased product, available coupons on their products and services, special discounts and introducing new products. Aside from email addresses, they can also use social media for consistent interaction with customers.

### 14. Time-Effective Marketing

Unlike traditional marketing, internet marketing is easy to start and quick to implement. You can easily set up a marketing campaign at any time that is convenient for you. In fact, you can set up email marketing for your business within only a matter of hours. Within the next few minutes, you can setup an autoresponder and create a marketing list for your business.

### 15. Continued Marketing Campaign

Marketing campaign’s later effects are one of the greatest advantages of internet marketing for business. For example, [content marketing](https://edkentmedia.com/content-marketing/) efforts, such as blogs, and websites have the capacity to remain functional and promote your products and services years after you started your marketing campaign. Almost every online marketing technique has viral and long-term effects that can continually improve your site’s traffic.

Online marketing offers you a variety of benefits. If you’re looking for better ways to reach out to your audience, Edkent Media is here to help. There are many services to choose from including email marketing, social media marketing, search engine optimization and pay per click marketing.

**UNIT- 1 MARKET SEGMENTATION**

**Introduction:**

Market segmentation is the process of dividing a market of potential customers into groups, or segments, based on different characteristics. The segments created are composed of consumers who will respond similarly to marketing strategies and who share traits such as similar interests, needs, or locations.

By arranging their company’s target market into segmented groups, rather than targeting each potential customer individually, marketers can be more efficient with their time, money, and other resources than if they were targeting consumers on an individual level. Grouping similar consumers together allows marketers to target specific audiences in a cost effective manner.

# Importance / benefits Of Market Segmentation:

Segmentation of target markets has several advantages. The benefits of market segmentation are as follows:

#### 1. Determining market opportunities:

Market segmentation enables to identify market opportu­nities. The marketer can study the needs of each segment in the light of current offerings by the competitors. From such study, the marketer can find out the current satisfaction of customers.

#### 2. Adjustments in marketing appeals:

Sellers can make best possible adjustments of their product and marketing appeals. Instead of one marketing programme aimed to draw in all potential buy­ers, sellers can create separate marketing programmes designed to satisfy the needs of different customers. Proper advertising and sales promotional appeals can be made depending on the target audience.

#### 3. Developing marketing programmes:

Companies can develop marketing programmes and bud­gets based on a clearer idea of the response characteristics of specific market segments. They can budget funds to different segments depending on their buying response.

#### 4. Designing a product:

Market segmentation helps in designing products that really match the demands of the target audience. Products with high market potential can be designed and directed to meet the satisfaction of the target market.

#### 5. Media selection:

It helps in selection of advertising media more intelligently and in allocating funds to various media. The funds are allocated to various media depending on the target audi­ence, impact of the media, competitor advertising, and so on.

#### 6. Timing of marketing efforts:

It helps in setting the timings of the promotional efforts so that more emphasis is placed during those periods when response is likely to be at its peak. For instance, consumer goods can be heavily advertised to Christians during Christmas season and to Hindus during Diwali time.

#### 7. Efficient use of resources:

By tailoring marketing programme to individual market segments, management can do a better marketing job and make more efficient use of the marketing resources. For example, a small firm can effectively use its limited resources – money, sales force, etc. – in one or two segmented markets rather than unsuccessfully aiming at a wider market.

#### 8. Better service to customers:

Market segmentation enables a company to concentrate its market­ing efforts in a particular market area, thereby, providing a better service to the target customers. Proper marketing segmentation can facilitate customer satisfaction.

#### 9. Helps in fixing prices:

The marketing segmentation also enables to fix prices of the goods and services. Since different market segments have different price perceptions, it is necessary to adopt different pricing strategies for the markets. For instance, the prices for lower-income groups have to be lower and the product and promotional efforts are adjusted accordingly.

#### 10. Assist in distribution strategies:

Segmentation also assists in adopting suitable distribution strategies. Different market segments may require different distribution mix. For example, if the product is of very high quality intended to target the upper class, then it must be distributed at prestigious outlets located at selective places.

# Bases for Segmenting Consumer Market

The four bases for segmenting consumer market are as follows: A. Demographic Segmentation B. Geographic Segmentation C. Psychographic Segmentation D. Behavioural Segmentation.

### A. Demographic Segmentation:

Demographic segmentation divides the markets into groups based on variables such as age, gender, family size, income, occupation, education, religion, race and nationality. Demographic factors are the most popular bases for segmenting the consumer group. One reason is that consumer needs, wants, and usage rates often vary closely with the demographic variables. Moreover, demographic factors are easier to measure than most other type of variables.

#### 1. Age:

It is one of the most common demographic variables used to segment markets. Some com­panies offer different products, or use different marketing approaches for different age groups. For example, McDonald’s targets children, teens, adults and seniors with different ads and media. Markets that are commonly segmented by age includes clothing, toys, music, automobiles, soaps, shampoos and foods.

#### 2. Gender:

Gender segmentation is used in clothing, cosmetics and magazines.

#### 3. Income:

Markets are also segmented on the basis of income. Income is used to divide the markets because it influences the people’s product purchase. It affects a consumer’s buying power and style of living. Income includes housing, furniture, automobile, clothing, alcoholic, beverages, food, sporting goods, luxury goods, financial services and travel.

#### 4. Family cycle:

Product needs vary according to age, number of persons in the household, marital status, and number and age of children. These variables can be combined into a single variable called family life cycle. Housing, home appliances, furniture, food and automobile are few of the numerous product markets segmented by the family cycle stages. Social class can be divided into upper class, middle class and lower class. Many companies deal in clothing, home furnishing, leisure activities, design products and services for specific social classes.

### B. Geographic Segmentation:

Geographic segmentation refers to dividing a market into different geographical units such as nations, states, regions, cities, or neighbourhoods. For example, national newspapers are published and distrib­uted to different cities in different languages to cater to the needs of the consumers.

Geographic variables such as climate, terrain, natural resources, and population density also influence consumer product needs. Companies may divide markets into regions because the differences in geographic variables can cause consumer needs and wants to differ from one region to another.

### C. Psychographic Segmentation:

Psychographic segmentation pertains to lifestyle and personality traits. In the case of certain products, buying behaviour predominantly depends on lifestyle and personality characteristics.

#### 1. Personality characteristics:

It refers to a person’s individual character traits, attitudes and hab­its. Here markets are segmented according to competitiveness, introvert, extrovert, ambitious, aggressiveness, etc. This type of segmentation is used when a product is similar to many compet­ing products, and consumer needs for products are not affected by other segmentation variables.

#### 2. Lifestyle:

It is the manner in which people live and spend their time and money. Lifestyle analysis provides marketers with a broad view of consumers because it segments the markets into groups on the basis of activities, interests, beliefs and opinions. Companies making cosmetics, alcoholic beverages and furniture’s segment market according to the lifestyle.

### D. Behavioural Segmentation:

In behavioural segmentation, buyers are divided into groups on the basis of their knowledge of, attitude towards, use of, or response to a product. Behavioural segmentation includes segmentation on the basis of occasions, user status, usage rate loyalty status, buyer-readiness stage and attitude.

#### 1. Occasion:

Buyers can be distinguished according to the occasions when they purchase a product, use a product, or develop a need to use a product. It helps the firm expand the product usage. For example, Cadbury’s advertising to promote the product during wedding season is an example of occasion segmentation.

#### 2. User status:

Sometimes the markets are segmented on the basis of user status, that is, on the basis of non-user, ex-user, potential user, first-time user and regular user of the product. Large compa­nies usually target potential users, whereas smaller firms focus on current users.

#### 3. Usage rate:

Markets can be distinguished on the basis of usage rate, that is, on the basis of light, medium and heavy users. Heavy users are often a small percentage of the market, but account for a high percentage of the total consumption. Marketers usually prefer to attract a heavy user rather than several light users, and vary their promotional efforts accordingly.

#### 4. Loyalty status:

Buyers can be divided on the basis of their loyalty status—hardcore loyal (con­sumer who buy one brand all the time), split loyal (consumers who are loyal to two or three brands), shifting loyal (consumers who shift from one brand to another), and switchers (consum­ers who show no loyalty to any brand).

#### 5. Buyer readiness stage:

The six psychological stages through which a person passes when deciding to purchase a product. The six stages are awareness of the product, knowledge of what it does, interest in the product, preference over competing products, conviction of the product’s suitability, and purchase. Marketing campaigns exist in large part to move the target audience through the buyer readiness stages.

**TYPES OF MARKET SEGMENTATION:**

#### GEOGRAPHIC SEGMENTATION

While typically a subset of demographics, geographic segmentation is typically the easiest. [Geographic segmentation](https://www.qualtrics.com/experience-management/brand/geographic-segmentation/) creates different target customer groups based on geographical boundaries. Because potential customers have needs, preferences, and interests that differ according to their geographies, understanding the climates and geographic regions of customer groups can help determine where to sell and advertise, as well as where to expand your business.

#### DEMOGRAPHIC SEGMENTATION

[Demographic segmentation](https://www.qualtrics.com/experience-management/brand/demographic-segmentation/) sorts a market by demographic elements such as age, education, income, family size, race, gender, occupation, nationality, and more. Demographic segmentation is one of the simplest and most commonly used forms of segmentation because the products and services we buy, how we use those products, and how much we are willing to spend on them is most often based on demographic factors.

#### BEHAVIORAL SEGMENTATION

Behavioral segmentation divides markets by behaviors and decision-making patterns such as purchase, consumption, lifestyle, and usage. For instance, younger buyers may tend to purchase body wash, while older consumer groups may lean towards soap bars. Segmenting markets based off purchase behaviors enables marketers to develop a more targeted approach.

#### PSYCHOGRAPHIC SEGMENTATION

[Psychographic segmentation](https://www.qualtrics.com/experience-management/brand/psychographic-segmentation/) takes into account the psychological aspects of consumer behavior by dividing markets according to lifestyle, personality traits, values, opinions, and interests of consumers. Large markets like the fitness market use psychographic segmentation when they sort their customers into categories of people who care about healthy living and exercise.

**FACTORS /ELEMENTS INFLUENCE STRATEGY FOR MARKET SEGMENTATION:**

### 1. Nature of demand

A commodity having wide demand the extent and size of the market will be large and contrary to it the size and extent of the market will be Limited. **For example**, Silver, Gold, sugar, and food-grains have a wide market while the demand for bangles, Gandhian cap, and Nehru jacket are limited to India only.

### 2. Substitutes

A commodity having substitutes in the market will have a limited market while no substitute commodity will be widely used and the size and extent of the market are widened.

### 3. Government policy

Domestic and foreign trade is affected by government policy relating to exports and imports, license, protection, taxes, etc.If these policies are restricting the trade then the market will be Limited and when there are liberal policies the market is widened.

4. **Product stage in the life cycle:**

Product stage in the life cycle of a product affects the selection of marketing strategy. Product has also life cycle like a man. The various stages of product life cycle i.e., introduction, growth, maturity, saturation and decline have to be taken into consideration.

**5. Company’s resources:**

Market segmentation requires sufficient amount of time, money and energy. Unless the company possesses enough resources market segmentation cannot be undertaken successfully.

**PROCESS/ STEPS IN MARKET SEGMENTATION:**

## ****1) Determine the need of the segment****

What are the [needs](https://www.marketing91.com/needs-wants-and-demands/) of the customers and how can you group customers based on their [needs](https://www.marketing91.com/needs-wants-and-demands/)? You have to think of this in terms of consumption by customers or what would each of your customer like to have.

For example – In a region, there are many normal restaurants but there is no Italian restaurant or there is no fast food chain. So, you came to know the NEED of consumers in that specific region.

## ****2) Identifying the segment****

Once you know the need of the customers, you need to identify that “who” will be the customers to choose your [product](https://www.marketing91.com/what-is-a-product/) over other offerings. Quite simply, you have to decide which type of segmentation you are going to use in this case. Is it going to be [geographic](https://www.marketing91.com/geographic-segmentation-segmenting-geography/), [demographic](https://www.marketing91.com/demographic-segmentation/), [psychographic](https://www.marketing91.com/psychographic-segmentation/) or what? The 1st step gives you a mass of crowd, and in the 2nd step, you have to [differentiate](https://www.marketing91.com/differentiation-strategy/) the [people](https://www.marketing91.com/people-marketing-mix/) from within that crowd.

Taking the same above example of Italian restaurant – The [target](https://www.marketing91.com/swot-analysis-target/) will be children, youngsters and middle aged people. Italian food is generally not preferred by old age people who prefer food which can be easily chewed (that’s what I feel at least. Lets see if I have teeth by the time I am 60). So you know the segment now.

## ****3) Which segment is most attractive?****

Now, we approach the [targeting](https://www.marketing91.com/how-to-make-a-targeting-strategy/) phase in the steps of market segmentation. Out of the various segments you have identified via demography, geography or psychography, you have to choose which is the most [attractive segment](https://www.marketing91.com/how-to-choose-a-market-segment/) for you. This is a tough question to answer because one of them will be left out.

If you are using psychographic segmentation, then you need to target the [psychology](https://www.marketing91.com/psychographic-segmentation/) of consumers which takes time. So you will not be able to expand faster. But if your product is basic, then you can use [demographic](https://www.marketing91.com/demographic-segmentation/) segmentation as the base, and expand much faster in surrounding regions. So this step involves deciding on ALL the [different types of segmentation](https://www.marketing91.com/4-types-market-segmentation-segment/) that you can use.

Attractiveness of the firm also depends on the [competition](https://www.marketing91.com/three-types-of-competition/) available in the segment. If the competition is too much in a given segment, then it does not make sense to take that segment into consideration. In fact, that segment is not attractive at all.

Taking the above example of an Italian restaurant, the restaurant owner realizes that he has more middle aged people and youngsters in his vicinity. So it is better to market his store on weekends and malls where this target group is likely to go. The middle aged people can bring children and elders as per their convenience. So the 1st target is the middle aged group, and the 2nd target is youngsters. He is using a combination of demographic and [geographic](https://www.marketing91.com/geographic-segmentation-segmenting-geography/) segmentation to target middle aged people in his region.

## ****4) Is the segment giving profit****

So, now you have different [types of segmentation](https://www.marketing91.com/4-types-market-segmentation-segment/) being analysed for their attractiveness. Which segment do you think will give you the maximum crowd has been decided in the 3rd step. But which of those segments is most [profitable](https://www.marketing91.com/profitability-analysis/) is a decision to be taken in the 4th step. This is also one more targeting step in the process of segmentation.

Example – The Italian restaurant owner above decides that he is getting fantastic [profitability](https://www.marketing91.com/customer-profitablity-analysis-2/) from the middle aged group, but he is getting poor profitability from youngsters. Youngsters like fast food and they like socializing. So they order very less, and spend a lot of time at the table, thereby reducing the profitability. So what does the owner do? How does he change this mindset when one of the segments he has identified is less profitable? Lets find out in the 5th step.

## ****5) Positioning for the segment****

Once you have identified the most profitable segments via the steps of market segmentation, then you need to position your product in the mind of the consumers. I would not dive deep into [positioning](https://www.marketing91.com/quick-guide-positioning/) here as you can read this [quick guide to positioning](https://www.marketing91.com/quick-guide-positioning/). The basic concept is that the firm needs to place a value on its [products](https://www.marketing91.com/types-of-products/).

If the firm wants a customer to buy their product, what is the value being provided to the customer, and in his mindset, where does the customer place the [brand](https://www.marketing91.com/what-is-a-brand/) after [purchasing](https://www.marketing91.com/purchasing-process/) the product? What was the [value of the product](https://www.marketing91.com/product-differentiation-2/) to the customer and how valuable does he think the brand is – that is the work of positioning. And to complete the process of segmentation, you need to position your product in the mind of your segments.

Example – In the above case we saw that the Italian restaurant owner was finding youngsters unprofitable. So what does he do? How does he target that segment as well? Simple. He starts a fast food chain right next to the Italian restaurant. What happens is, although the area has other fast food restaurants, his restaurant is the only one which offers good Italian cuisine and a good fast food restaurant next door itself. So both, the middle aged target group and the youngsters can enjoy. He has converted the profit earned from the middle aged group, into more profit, and has achieved top of the mind positioning for all people in his region.

## ****6) Expanding the segment****

All segments need to be scalable. So, if you have found a segment, that segment should be such that the business is able to expand with the type of segmentation chosen. If the segment is very niche, then the business will run out of its course in due time. Hence the [expansion](https://www.marketing91.com/business-expansion-number-1-success-strategy/) of the segment is the second last step of market segmentation.

In the above example, the Italian restaurant owner has the best process in his hand – an Italian restaurant combined with a fast food chain. He was using both Demographic and geographic segmentation. Now he starts looking at other geographic segments in other regions where he can establish the same concept and expand his business. Naturally, with more expansion he will earn more profits.

## ****7) Incorporating the segmentation into your marketing strategy****

Once you have found a segment which is profitable and expandable, you need to incorporate that segment in your marketing [strategy](https://www.marketing91.com/marketing-and-strategy-models-and-concepts/). How do you think [McDonalds](https://www.marketing91.com/7-reasons-mcdonalds-unbeatable-fast-food-brand/) or [KFC](https://www.marketing91.com/marketing-strategy-of-kfc/) became such big chains of fast food? They had a very clear process of segmentation because of which it became easier to find regions to target.

With the steps of market segmentation, your segments become clear and then you can adapt other variables of marketing strategy as per the segment being targeted. You can modify the products, keep the optimum price, enhance the distribution and the place and finally promote clearly and crisply to your target audience. Business becomes simpler due to the process of market segmentation.

# [Conditions for effective Market Segmentation](https://www.assignmentpoint.com/business/management/conditions-effective-market-segmentation.html):

[Market segmentation](http://www.assignmentpoint.com/business/marketing-business/business-market-segmentation.html) means dividing a market into smaller groups of buyers with distinct needs, characteristics, or behaviors who might require separate products or marketing mixes. It splits up a market into different types (segments) to enable a business to better target its products to the relevant customers.

**Conditions for effective market segmentation**

A sound marketing program starts with identifying the differences that exist within a market – called market segmentation. To be sound and effective, market segments must fulfill the following conditions:

**Measurable**

Market segments must be measurable. With obtained data, the size of segment purchasing power and profiles of the customers can easily be measured. Reliable market research should be able to identify the size of a market segment to a reasonable degree of accuracy, so that strategists can then decide whether, how, and to what extent they should focus their efforts on marketing to this segment.

**Accessible**

Market segments should be accessible through existing marketing institutions- a middleman, advertising media, company’s sales forces with a minimum cost and wasted effort. When demarcating a market segment, it is important to consider how the group might be accessed and, crucially, whether this falls within the strengths and abilities of the company’s marketing department.

**Substantial**

Each segment should be large enough to be profitable. By this concept, management could treat every single customer as a separate segment. A viable market segment is usually a homogenous group with clearly defined characteristics such as age group, socio-economic background, and brand perception. Longevity is also important here: no market segmentation expert would recommend focusing on an unstable customer group that is likely to disperse or changes beyond recognition within a year or two.

**Differentiable**

Market segments are conceptually distinguishable and respond differently to different marketing mixes and programs. Differences between market segments should be clearly defined so that the campaigns, products and marketing tools applied to them can be implemented without overlap.

**Actionable**

It is not possible for a company to serve all the market segments. so the company must have to design an effective marketing program for attracting and serving most suitable segments. The market segment must have practical value – its characteristics must provide supporting data for a marketing position or sales approach, and this, in turn, must have outcomes that are easily quantified, ideally in relation to the existing measurements of the market segment as defined by initial market research.