



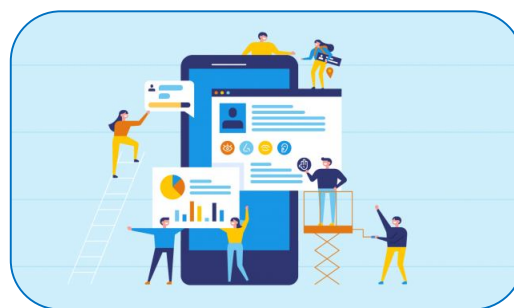
MARKET SEGMENTATION STRATEGIES OF CELL PHONE: A CONCEPTUAL STUDY

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ABSTRACT :

As mobility becomes an increasingly prevalent force shaping the lifestyles of consumers, the market for the technologies and devices accompanying this trend also improves at a fast pace. Any product that offers individuals the ability to work, communicate or entertain themselves in a location-free manner captures immediate acceptance and diffuses rapidly into consumers' lives. Mobile phones are one of the most conspicuous examples of such innovations achieving a large penetration rate in many markets. This paper is a modest attempt to study the market segmentation strategy of cell phone.



KEYWORDS : Cell Phone, Heterogeneous Market, Market Segmentation Strategy

INTRODUCTION

Market segmentation is a process of dividing a heterogeneous market into homogenous sub-units, concept that was first developed by a Wendell R. Smith in a paper in 1956. It is defined as dividing a market into distinct groups of buyers with different needs, characteristics, o49bhaviour who might require separate services or marketing mixes (Kotler & Armstrong 1994). A market was analysed for its nature and composition, and were clubbed under groups of similar needs and other characteristics. Customers inside a grouping had similar preferences and traits; two different groups had different preferences and traits. Each of these groupings was called a segment, and the process was known as marker segmentation.

People-Oriented Approach (Customer Personal Characteristics)

We can classify the customers by customer dimensions such as geographic location, demography, socio-economic characteristics and psychographic characteristics. These are variables and they are independent of any product or service and the particular situation encountered by the buyer in making buying decisions. We try to find out the type of customer who will buy our products.

1. Geographic Location is the usual and popular basis for market segmentation. The ma could be divided into urban and rural markets. While urban population is highly concentrated, rural population is scattered over a wide geographical area. Since 1980s, many companies are targeting rural consumers due to growing purchasing power. About 50% of the rural population lives in about one lakh villages having a population of over 2,000 each and companies like HUL have been able to cover this segment by establishing retail network in these villages.

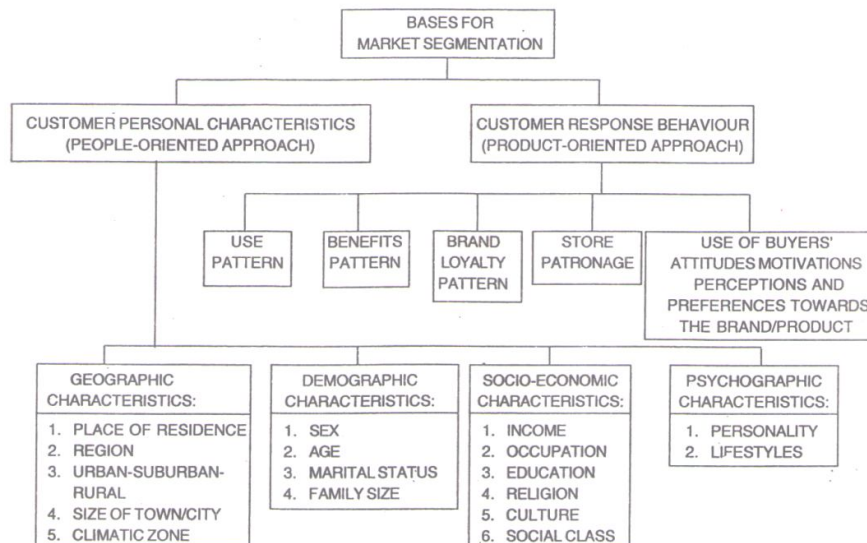
We have four regions, i.e., South, West, East and North. It has been observed that consumers in South, by and large, are conscious about cleanliness, health, education and culture. Due to hot weather conditions,

there is increased use of talcum powder in South and Ponds has a high market share in this region. The demand for woollen dress materials is high in North during winter season compared to other regions in the country.

- 2. **Demographic Segmentation:** In rural areas, the husband provides economic security to the members of the family and he makes purchase decisions. Now a day, school-going children have high awareness about new products and they are influencing buying decisions in the family. Therefore, the marketers are targeting the younger lot for products like biscuits, chocolates, shampoos and soft drinks.
- 3. **Socio-economic Segmentation:** Major income still comes from agriculture though the share of non-farm income has gone up in recent years. Based on occupation, there are three important groups, who form the target population for consumer durables like Colour TV, Refrigerator and Two-wheelers.
 - I. **Farmers:** The landlords which include Zamindars/Mitadars/Thakurs, traders and local moneylenders. They possess large acres of land and have spacious houses in the village. They have high disposable income. Their lifestyle can be compared to that of upper income group of urban areas. They have relatives staying in cities and in many cases abroad also. Their children' go to urban schools.
 - II. **Traders:** The traders constitute about 8% of the rural households and own between 15-20% of the durables.
 - III. **Service Class:** The service class who includes teachers, clerks, mechanics, electricians in the villages and office and factory workers, who work outside the village, constitute about 13% of rural households and own 30-40% of durables.

Psychographic Segmentation: Personality traits such as dominance, aggressiveness, achievement orientation, motivation, etc., may influence buyer behaviour. Lifestyle can be measured by the products the person uses and the person's activities, interests, opinions and values. In a rural society, there are grades of people based on income, occupation and wealth. The educated youth, innovative farmers, village president are the important opinion leaders and marketers are targeting this group for promoting products and services.

Fig 1: Bases for Market Segmentation

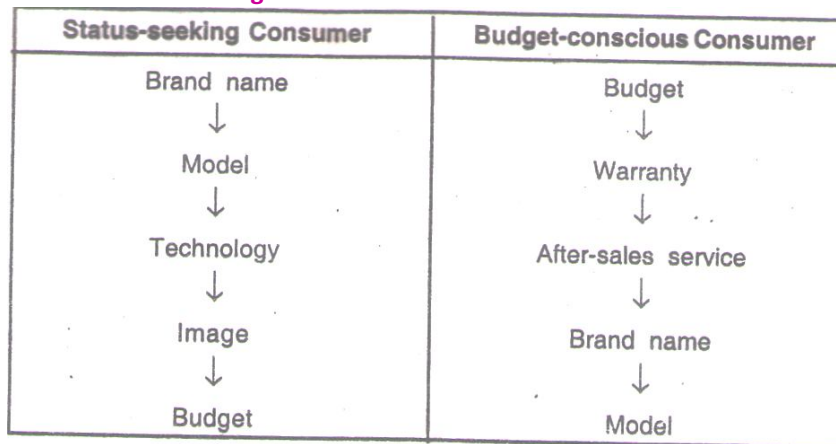


Product-Oriented Approach (Customer Response Behaviour)

The customer response or buyer behaviour may be considered in relation to product benefits, product usage, store patronage and brand loyalty. We want to know why consumer buys a certain product.

1. **Use Pattern:** A buyer may be classified as heavy, medium, light user and non-user. The use of consumer products such as shampoo, hair oil, toothpaste, talcum powder is low in rural areas due to poor affordability and many marketers have introduced small unit packs of these products to meet the requirements of lower and middle class rural consumers. In agriculture, cotton farmers are heavy users of pesticides and the marketers have come out with large packs (20/25 litres) of the products to meet their special requirements.
2. **Benefits Pattern:** Consumers buy products primarily to secure expected benefits. Rural buyers look for value for money while purchasing products. They look for quality but cannot afford high prices. They are concerned with utility of the products rather than mer. good looks and frills. The rural consumers particularly the lower/middle income group are budget-conscious unlike urban consumers who are comparatively more status-seeking. The difference in the preference of the attributes is shown in Fig.4.5

Fig.2: Preference of the Attributes



3. **Brand Loyalty:** A rural consumer is price sensitive due to low purchasing power and lack of awareness about the quality of products available in the market. However, they will continue to patronise a brand once they are satisfied with the product. Example: A few of the popular brands are Lifebuoy, Parle, Ponds, Nirma, Tata Salt, Colgate, Philips, etc.
4. **Store Patronage:** It has been observed that rural consumer buys from the same shop. The retailer extends credit to the consumers and many have running credit account with the same retailer. He influences buying decisions of the consumers. Therefore, the marketers have to identify key retailers in rural markets and ensure product availability for success of business.
5. **Predispositions towards Products and Brands:** The attitudes, perceptions, values, beliefs, Intentions and preferences are the constituents of predisposition, indicating the consumers state of mind, predisposing the consumer to behave in a particular way towards a product, brand, dealer and the company. Segmentation studies based on buying motives, attitudes, perceptions and preferences give much better results regarding buyer behaviour than those obtained by demographic, socio-economic variables or determinants, While age, gender, usage, income can be measured objectively, personality traits, lifestyles, motives, attitudes, values and beliefs have to be inferred as they are subjective phenomena and cannot be objectively measured.

Market Segmentation Strategies

A firm should identify the most potential and convenient segment of the total market and make effective use of the marketing mix, i.e., product, price, place (distribution) and promotion to achieve the marketing objectives. Marketer has three strategic options.

1. **Undifferentiated Marketing (Mass Market Strategy):** The marketers may not prefer the idea of market segmentation and follow one marketing mix for many market segments. This helps the company to target maximum number of consumers.

Most of the local marketers of bread, biscuits, namkeens, etc., follow mass marketing approach. Medimix is marketed as an ayurvedic soap for all types of consumers. Even giant like Coca Cola followed such an approach for a very long time — one product, one brand, one bottle for all markets — of course, today the company has a wide range of products.

2. **Differentiated Marketing (Market Segmentation Strategy):** A firm under differentiated marketing strategy enters many market segments but has a unique marketing mix appropriate for each segment. Mahindra and Mahindra market different types of tractors (based on horsepower) to meet the requirements of farmers. Indian Railways run passenger trains which halt at each and every station. The passenger trains are patronised by rural people as they can carry agricultural produce and personal luggage and it is cheap compared to bus service. Hindustan lever has one brand of soap for each segment of the market, i.e., Lifebuoy for lower income and Lux/Rexona/Dove for higher income groups.
3. **Concentrated Marketing:** A firm may decide to concentrate on one chosen segment of the total market. It selects an area where there is no strong competition and it can do best in that area. This is also known as niche marketing. Niche market is relatively a small market segment having distinctive features and requirements and with focused working provides higher returns to the marketers.

Pesticides market on hybrid vegetables and flowers. The growers have distinctive requirements and they want solutions to the field problems, control of pests and diseases and correcting nutritional deficiencies. They are willing to use even expensive branded products once they are convinced.

SEGMENTATION SUCCESS CRITERIA

Since the company cannot cover the entire market, it aims at selecting a few market segments most suited for its products. The conditions essential for successful market segmentation are given below.

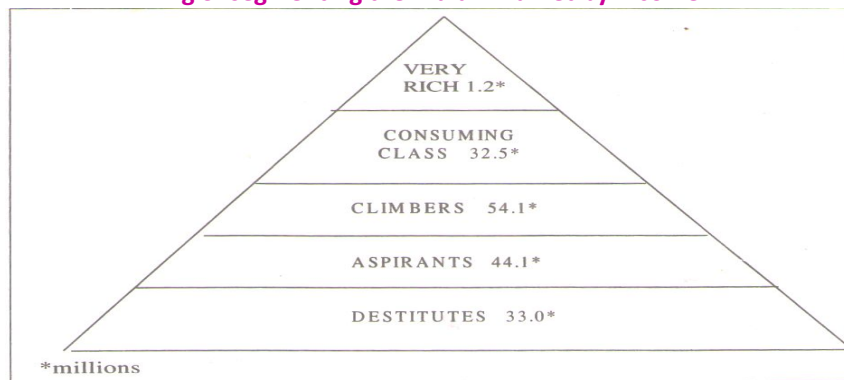
1. **Measurability:** Demographic and socio-economic characteristics are measurable but personality, life cycle, psychological factors such as motivation, perception, attitude are subjective and non-measurable attributes. Unfortunately, the availability of data about rural markets and consumers is very limited and therefore projecting sales, market share are difficult while preparing business plan for the company.
2. **Accessibility:** As we have seen, the rural markets are highly scattered and spread over a wide geographical area and therefore even if a segment is identified, the marketers are finding it difficult to reach the segment through distribution and communication media and methods. Companies like HUL, Colgate, Marico, Britannia are making use of haats, melas, van delivery service, audio-visual publicity programme to reach the villagers.
3. **Effective Demand:** The segment must have sufficient buying power and should be profitable enough. Large villages and villages situated close to towns and cities have high level of urban orientation and are potential markets in rural areas.
4. **Market Responsiveness:** The market should respond favourably to the marketing efforts. The marketer should have good understanding of buying motives and buying behaviour of rural consumers. For example; Income from agriculture is seasonal and therefore the consumers avail credit facilities from traders. These traders in turn require credit from distributors/manufacturers. Many manufactures/distributors extend credit facilities to persuade the traders to stock their products.

The Marketing Segmentation of Cell Phone

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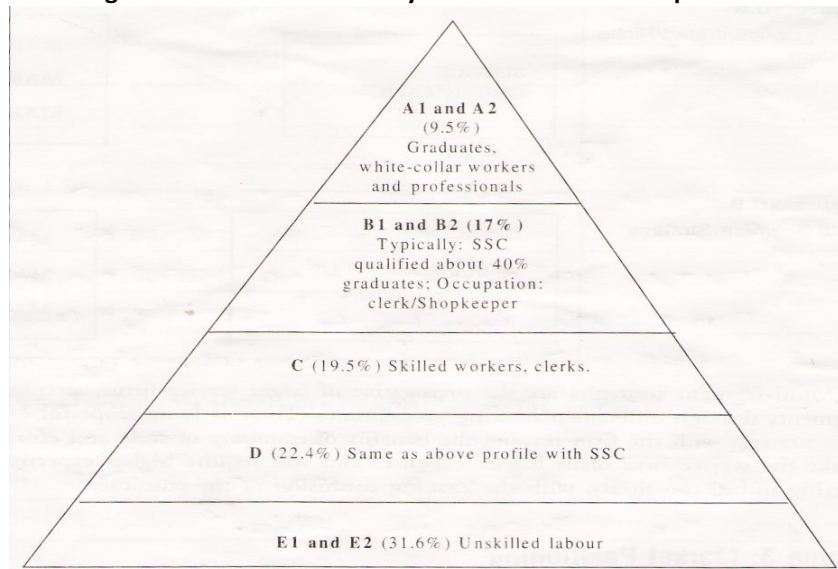
- **Geo-demographic** (e.g., Political-state, districts , blocks; region-urban or rural; geographic-North,south ,east,west)
- **Demographic** (e.g., age, gender ,marital status , education , family , Size, Family, life cycle etc.)

Fig.3: segmenting the Indian Market by Income



Source: NCAER,IDR,2010,p.63.

Fig. 3: The Socio Economic Pyramid of the Indian Population



Source: Advertising and Marketing, 2011.p.64

The income of the consumer gives an indication of his purchasing power, educational qualifications, anti about his level of awareness, while his occupation indicates his lifestyle.

- Culture (e.g., lifestyles, religion, language, ethnic origin and culture)
- Consumer responses are generally based on what is bought:
- Occasions when used - an anniversary dinner at a restaurant
- Benefits – this segmentation is credited to Russel Haley¹¹ and analyses why consumers buy what they buy.
- Usage frequency (heavy or light - mobile phone users)
- Attitudes — favourable or unfavourable disposition, including loyalty
- Motivating factors - Maslows Need Hierarchy model et al.
- Personality — compulsive, gregarious, aggressive
- Lifestyles — Attitudes, Interests and Opinions (A-I-O)
- values

The market can be segmented in three stages viz.

1. **Survey stage:** Focus-Group discussion and in-depth interviews for insights into consumer attitudes, motivation and behaviour; then developing a questionnaire to administer to a sample.
2. **Analysis stage:** After data-collection, factor and cluster analysis has to be made to find out the factors that are major influencers amongst the clustering groups.
3. **Profiling stage:** The clusters are then profiled by demographic, psychographic and media usages.

Telecom industry is having the base product of their service of calling and internet in a cell phone. Private companies like Bharti AIRTEL, Reliance, MTS, TATA, Vodafone, Idea, Videocon are having the good opportunity to set up their services at rural areas and start services. By setting the coverage tower they can get the customers which are already using BSNL services which is available in entire India. BSNL is the only service which is available to most of the villages of India.

CONCLUSION

Marketing mix indicates an appropriate combination of 4 Ps from the marketers' point of view. However, the 4 As model takes into consideration the needs and life-style of rural people and looks at marketing mix from consumers' point of view. Considering the challenges and opportunities, we can say that the future is very promising for those who can approach the rural market through 4 As model and explore them to their advantage.

A product is any tangible offering that satisfies the need or aspiration of a consumer. The product mix includes product quality, features, benefits, design, style, colours, brand, packaging, labelling, services and warranties. The rural consumer is generally concerned with utility of the product rather than appearance or show. While rural income level has gone up in recent years, the lower income group constitutes about 65% of the rural population. Price is an important component of marketing mix. A rural consumer with limited income and low awareness is concerned with the price of the product while taking purchase decisions. The marketers have to consider the dynamics of the rural market while formulating product and pricing strategies.

The rural consumers normally purchase their household requirements from village shops, haats and mandi towns. There are 60 lakh outlets, both in urban and rural markets in India. Out of the 36 lakh retail outlets are spread over six lakh villages and making the products available in the store shelves is a challenge for the marketer. Even if a company has a product that meets the requirements of rural consumers, it will succeed only if it is made available as and when by the consumer. Most of these outlets are small and marketers have to reach them only through a chain of distributors and wholesalers which add to the cost of distribution. Of course, in order to reach these shops and establish the products, the companies need substantial amount of working capital and large dedicated sales force.

Rural markets have special features as compared to urban markets. Considering the uniqueness of rural consumers and infrastructure facilities, the marketer has to design rural-specific promotion media and methods to reach the rural population. Further, companies have to consider promotion expenses as investment for business development in rural areas.

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