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# INNOVATION IN MAKETING MANAGEMENT AND SEGMENTATION

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## Introduction :

Most company innovation efforts start with ideas and brainstorming sessions – nothing more than a one-dimensional tactical approach to innovation. Importantly, this approach ignores the critical systemic organizational skills and capabilities required for successful innovation whilst materially reducing its chances of success.

The Management Innovation Index is a unique Big Data analytic, that models an organization's innovation, using metrics based on the theories of organizational economics, enabling business leaders and senior managers to make informed decisions around its strategic innovation, the driver of growth and value in an organization.

## ABSRACT:

Abstract Marketing & Management Consultancies was formed 5 years ago and has proudly established itself as a competitive Enterprise Marketing Support Service Provider with its operations in 6 countries in the Middle East and Africa region. Abstract marketing was formed to provide the full scale marketing support function to the companies so that they can focus on their core business. Our intense knowledge of the marketing industry has helped us develop solutions that fulfill the needs of our clients.

**Market segmentation** is the process of dividing a broad consumer or business market, normally consisting of existing and potential customers, into sub-groups of consumers (known as *segments*) based on some type of shared characteristics. In dividing or segmenting markets, researchers typically look for shared characteristics such as common needs, common interests, similar lifestyles or even similar demographic profiles. The overall aim of segmentation is to identify *high yield segments* – that is, those segments that are likely to be the most profitable or that have growth potential – so that these can be selected for special attention (i.e. become target markets).

Many different ways to segment a market have been identified. Business-to-business (B2B) sellers might segment the market into different types of businesses or countries. While business to consumer (B2C) sellers might segment the market into demographic segments, lifestyle segments, behavioral segments or any other meaningful segment.

## OBJECTIVES:

1.Marketing management versus marketing strategy
2.Developing a marketing strategy & Marketing Mix Model (4P's)
3.Real-life marketing &Abusiness model
4.Market segmentation process: S-T-P
5.Identifying the market to be segmented &Target Market

## Methodology :-

The present study is of descriptive type. The entire study is based on secondary source of data. The secondary data has been collected from probationer study books various journals web sides. In order to fulfill designed objectives of the present study the secondary data has been assembled.

**KEY WORDS:**

**Marketing, Innovation, Segmentation, Target Market ,Marketstrategy.**

## MEANING AND DEFINITION:

Most company innovation efforts start with ideas and brainstorming sessions – nothing more than a one-dimensional tactical approach to innovation. Importantly, this approach ignores the critical systemic organizational skills and capabilities required for successful innovation whilst materially reducing its chances of success.

The Management Innovation Index is a unique Big Data analytic,that models an organization's innovation, using metrics based on the theories of organizational economics, enabling business leaders and senior managers to make informed decisions around its strategic innovation, the driver of growth and value in an organization.

## Marketing management versus marketing strategy:

The distinction between "strategic" and "managerial" marketing is commonly used to distinguish "two phases having different goals and based on different conceptual tools. Strategic marketing concerns the choice of policies aiming at improving the competitive position of the firm, taking account of challenges and opportunities proposed by the competitive environment. On the other hand, managerial marketing is focused on the implementation of specific targets."

## Developing a marketing strategy:

Strategic planning typically begins with a scan of the business environment, both internal and external, which includes understanding strategic constraints. It is generally necessary to try to grasp many aspects of the external environment, including technological, economic, cultural, political and legal aspects.Goals are chosen. Then, a marketing strategy or marketing plan is an explanation of what specific actions will be taken over time to achieve the objectives. Plans can be extended to cover many years, with sub-plans for each year, although as the speed of change in the merchandising environment quickens, time horizons are becoming shorter. Ideally, strategies are both dynamic and interactive, partially planned and partially unplanned, to enable a firm to react to unforeseen developments while trying to keep focused on a specific pathway; generally, a longer time frame is preferred. There are simulations such as customer lifetime value models which can help marketers conduct "what-if" analyses to forecast what might happen based on possible actions, and gauge how specific actions might affect such variables as the revenue-per-customer and the churn rate. Strategies often specify how to adjust the marketing mix; firms can use tools such as Marketing Mix Modeling to help them decide how to allocate scarce resources for different media, as well as how to allocate funds across a portfolio of brands. In addition, firms can conduct analyses of performance, customer analysis, competitor analysis, and target market analysis. A key aspect of marketing strategy is often to keep marketing consistent with a company's overarching mission statement.

Marketing strategy should not be confused with a marketing objective or mission. For example, a goal may be to become the market leader, perhaps in a specific niche; a mission may be something along the lines of "to serve customers with honor and dignity"; in contrast, a marketing strategy describes how a firm will achieve the stated goal in a way which is consistent with the mission, perhaps by detailed plans for how it might build a referral network, for example. Strategy varies by type of market. A well-established firm in a mature market will likely have a different strategy than a start-up. Plans usually involve monitoring, to assess progress, and prepare for contingencies if problems arise.

### Marketing Mix Model (4P's):

The 4P's also known as Price, Product, Place and Promotion is a strategy that originated from the single P meaning Price. This strategy was designed as an easy way to turn marketing planning into practice. This strategy is used to find and meet the consumers needs and can be used for long term or short term purposes. The proportions of the marketing mix can be altered to meet different requirements for each product produced, similar to altering ingredients when baking a cake.

## Real-life marketing:

Real-life marketing primarily revolves around the application of a great deal of common-sense; dealing with a limited number of factors, in an environment of imperfect information and limited resources complicated by uncertainty and tight timescales. Use of classical marketing techniques, in these circumstances, is inevitably partial and uneven.

Thus, for example, many new products will emerge from irrational processes and the rational development process may be used (if at all) to screen out the worst non-runners. The design of the advertising, and the packaging, will be the output of the creative minds employed; which management will then screen, often by 'gut-reaction', to ensure that it is reasonable.

For most of their time, marketing managers use intuition and experience to analyze and handle the complex, and unique, situations being faced; without easy reference to theory. This will often be 'flying by the seat of the pants', or 'gut-reaction'; where the overall strategy, coupled with the knowledge of the customer which has been absorbed almost by a process of osmosis, will determine the quality of the marketing employed. This, almost instinctive management, is what is sometimes called 'coarse marketing'; to distinguish it from the refined, aesthetically pleasing, form favored by the theorists.

An organization's strategy combines all of its marketing goals into one comprehensive plan. A good marketing strategy should be drawn from market research and focus on the product mix in order to achieve the maximum profit and sustain the business. The marketing strategy is the foundation of a marketing plan.

## A business model:

This is an "abstract representation of an organization, be it conceptual, textual, and/or graphical, of all core interrelated architectural, co-operational, and financial arrangements designed and developed by an organization presently and in the future, as well as all core products and/or services the organization offers, or will offer, based on these arrangements that are needed to achieve its strategic goals and objectives." This definition by Al-Debbie, El-Haddadeh and Alison (2008) indicates that value proposition, value architecture (the organizational infrastructure and technological architecture that allows the movement of products, services, and information), value finance (modeling information related to total cost of ownership, pricing methods, and revenue structure), and value network articulate the primary constructs or dimensions of business models.

A business model describes the rationale of how an organization creates, delivers, and captures value, in economic, social, cultural or other contexts. The process of business model construction is part of business strategy.

Business models are used to describe and classify businesses, especially in an entrepreneurial setting, but they are also used by managers inside companies to explore possibilities for future development. Well-known business models can operate as "recipes" for creative managers. Business models are also referred to in some instances within the context of accounting for purposes of public reporting.

## Market segmentation:

Market segmentation is the process of dividing a broad consumer or business market, normally consisting of existing and potential customers, into sub-groups of consumers (known as segments) based on some type of shared characteristics. In dividing or segmenting markets, researchers typically look for shared characteristics such as common needs, common interests, similar lifestyles or even similar demographic profiles. The overall aim of segmentation is to identify high yield segments – that is, those segments that are likely to be the most profitable or that have growth potential – so that these can be selected for special attention (i.e. become target markets).

Many different ways to segment a market have been identified. Business-to-business (B2B) sellers might segment the market into different types of businesses or countries. While business to consumer (B2C) sellers might segment the market into demographic segments, lifestyle segments, behavioral segments or any other meaningful segment.

Market segmentation assumes that different market segments require different marketing programs – that is, different offers, prices, promotion, distribution or some combination of marketing variables. Market segmentation is not only designed to identify the most profitable segments, but also to develop profiles of key segments in order to better understand their needs and purchase motivations. Insights from segmentation analysis are subsequently used to support marketing strategy development and planning. Many marketers use the **S-T-P approach;Segmentation→ Targeting → Positioning** to provide the framework for marketing planning objectives. That is, a market is segmented, one or more segments are selected for targeting, and products or services are positioned in a way that resonates with the selected target market or markets.

## Market segmentation process: S-T-P

The process of segmenting the market is deceptively simple. Seven basic steps describe the entire process including segmentation, targeting and positioning. In practice, however, the task can be very laborious since it involves poring over loads of data, and requires a great deal of skill in analysis, interpretation and some judgment. Although a great deal of analysis needs to be undertaken, and many decisions need to be made, marketers tend to use the so-called S-T-P process, that is **S**egmentation→ **T**argeting → **P**ositioning, as a broad framework for simplifying the process and outlined here:

**Segmentation:**

1. Identify market (also known as the universe) to be segmented.

2. Identify, select and apply base or bases to be used in the segmentation

3. Develop segment profiles

**Targeting:**

4. Evaluate each segment's attractiveness

5. Select segment or segments to be targeted

**Positioning:**

6. Identify optimal positioning for each segment

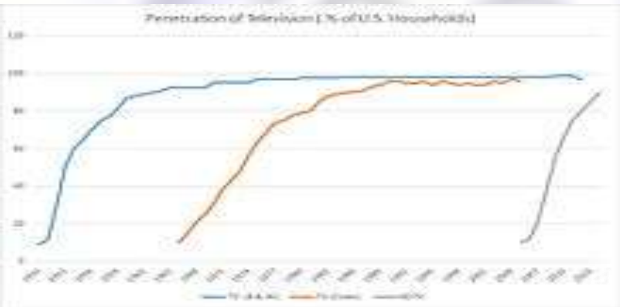
7. Develop the marketing program for each segment

## Identifying the market to be segmented:

See also Total addressable market ; Serviceable available market; Bass diffusion model

The market for a given product or service known as the market potential or the TotalAddressable Market (TAM*)*. Given that this is the market to be segmented, the market analyst should begin by identifying the size of the potential market. For existing products and services, estimating the size and value of the market potential is relatively straight forward. However, estimating the market potential can be very challenging when a product or service is totally new to the market and no historical data on which to base forecasts exists.

A basic approach is to first assess the size of the broad population, then estimate the percentage likely to use the product or service and finally to estimate the revenue potential. For example, when the ride-sharing company, Uber, first entered the market, the owners assumed that Uber would be a substitute for taxis and hire cars. Accordingly they calculated Uber’s TAM based on the size of the existing taxi and car service business, which they estimated at $100 billion. They then made a conservative estimate that the company could reach 10 percent share of market and used this to estimate the expected revenue.



To estimate market size, a marketer might evaluate adoption and growth rates of comparable technologies

Another approach is to use historical analogy. For example, the manufacturer of HDTV might assume that the number of consumers willing to adopt high definition TV will be similar to the adoption rate for Color TV. To support this type of analysis, data for household penetration of TV, Radio, PCs and other communications technologies is readily available from government statistics departments. Finding useful analogies can be challenging because every market is unique. However, analogous product adoption and growth rates can provide the analyst with benchmark estimates, and can be used to cross validate other methods that might be used to forecast sales or market size.

A more robust technique for estimating the market potential is known as the Bass Model. The Bass equation is as follows:

$$N(t) - N(t-1) = [p + qN(t-1)/m] \times [m - N(t-1)]$$

Where:
N(t)= the number of adopters in the current time period , (*t*)
N(t−1)= the number of adopters in the previous time period, (*t-1*)
p = the coefficient of innovation
q = the coefficient of imitation (the social contagion influence)
m = an estimate of the number of eventual adopters

The major challenge with the Bass model is estimating the parameters for *p* and *q*. However, the Bass model has been so widely used in empirical studies that the values of *p* and *q* for more than 50 consumer and industrial categories have been determined and are widely published in tables. ] The average value for p is 0.037 and for q is 0.327.

## Bases for segmenting consumer markets:

Major bases used for segmenting a market

A major step in the segmentation process is the selection of a suitable base. In this step, marketers are looking for a means of achieving internal homogeneity (similarity within the segments), and external heterogeneity (differences between segments) In other words, they are searching for a process that minimises differences between members of a segment and maximises differences between each segment. In addition, the segmentation approach must yield segments that are meaningful for the specific marketing problem or situation. For example, a person's hair colour may be a relevant base for a shampoo manufacturer, but it would not be relevant for a seller of financial services. Selecting the right base requires a good deal of thought and a basic understanding of the market to be segmented.

In reality, marketers can segment the market using any base or variable provided that it is identifiable, measurable, actionable and stable. For example, some fashion houses have segmented the market using women's dress size as a variable. However, the most common bases for segmenting consumer markets include: geographics, demographics, psychographics and behavior. Marketers normally select a single base for the segmentation analysis, although, some bases can be combined into a single segmentation with care. For example, geographics and demographics are often combined, but other bases are rarely combined. Given that psychographics includes demographic variables such as age, gender and income as well as

Attitudinal and behavioral variables, it makes little logical sense to combine psychographics with demographics or other bases. Any attempt to use combined bases needs careful consideration and a logical foundation.

## Selecting target markets:

Also see Target markets

*In targeting, a group of consumers is selected to become the focus of the marketing program*

Another major decision in developing the segmentation strategy is the selection of market segments that will become the focus of special attention (known as *target markets*). The marketer faces a number of important decisions:

- What criteria should be used to evaluate markets?
- How many markets to enter (one, two or more)?
- Which market segments are the most valuable?

When a marketer enters more than one market, the segments are often labelled the *primary target market*, *secondary target market.* The primary market is the target market selected as the main focus of marketing activities. The secondary target market is likely to be a segment that is not as large as the primary market, but has growth potential. Alternatively, the secondary target group might consist of a small number of purchasers that account for a relatively high proportion of sales volume perhaps due to purchase value or purchase frequency.

In terms of evaluating markets, three core considerations are essential.

- Segment size and growth
- Segment structural attractiveness
- Company objectives and resources.

**Criteria for evaluating segment attractiveness:**

There are no formulas for evaluating the attractiveness of market segments and a good deal of judgment must be exercised. Nevertheless, a number of considerations can be used to assist in evaluating market segments for overall attractiveness. The following lists a series of questions that can be asked.

**Segment Size and Growth:**

- How large is the market?
- Is the market segment substantial enough to be profitable? (Segment size can be measured in number of customers, but superior measures are likely to include sales value or volume)
- Is the market segment growing or contracting?
- What are the indications that growth will be sustained in the long term? Is any observed growth sustainable?
- Is the segment stable over time? (Segment must have sufficient time to reach desired performance level)

**Segment Structural Attractiveness:**

- To what extent are competitors targeting this market segment?
- Do buyers have bargaining power in the market?
- Are substitute products available?
- Can we carve out a viable position to differentiate from any competitors?
- How responsive are members of the market segment to the marketing program?
- Is this market segment reachable and accessible? (i.e., with respect to distribution and promotion)

**Company Objectives and Resources:**

- Is this market segment aligned with our company's operating philosophy?
- Do we have the resources necessary to enter this market segment?
- Do we have prior experience with this market segment or similar market segments?
- Do we have the skills and/or know-how to enter this market segment successfully?
- Developing the marketing program and positioning strategy
- Also see Marketing mixPositioning (marketing)Perceptual mapping


- The marketing program is designed with the needs of the target market in mind
- When the segments have been determined and separate offers developed for each of the core segments, the marketer's next task is to design a marketing program (also known as the marketing mix) that will resonate with the target market or markets. Developing the marketing program requires a deep knowledge of key market segment's purchasing habits, their preferred retail outlet, their media habits and their price sensitivity. The marketing program for each brand or product should be based on the understanding of the target market (or target markets) revealed in the market profile.
- Table 3 provides a brief summary of the marketing mix used by Black and Decker, manufacturer of three brands of power tools and household appliances. Each brand is pitched at different quality points and targets different segments of the market. This table is designed to illustrate how the marketing program must be fine-tuned for each market segment.

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