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**Study of the key market segmentation and targeting strategies followed by the leading FMCG companies in India**

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**ABSTRACT**

One of the fundamental principles of marketing is the concept of market segmentation and targeting. So much so that it sometimes referred to as one of the potentially most creative areas of marketing. All knows that no one company can satisfy the needs of all of these potential customers, then how to segment the market and target the market is really a big question to all the marketers. Whether to target all the segments or one particular segment, then what will be the targeting strategy for each segment. The company has choice to choose from various concentrated strategies or a single undifferentiated market targeting strategy. This research paper is to give an outline of the various market segmentation and targeting strategies followed by the leading FMCG companies i.e. Hindustan Uniliver Limited (HUL) and ITC in India in the personal care products. It also tends to outline the various products that are being offered to each segment of the market. How they target the various segments of the market, what are their key strategies to target the customers in a segment, do the follow same target strategies for all the segments.

**Keywords:** FMCG, Segmentation, Targeting, Strategies

**1. Introduction**

When it comes to marketing strategies, most people spontaneously think about the 4P (Product, Price, Place, Promotion) – maybe extended by three more Ps for marketing services (People, Processes, Physical Evidence). Market segmentation and the identification of target markets, however, are an important element of each marketing strategy. They are the basis for determining any particular marketing mix. The importance of market segmentation results from the fact that the buyers of a product or a service are no homogenous group. Actually, every buyer has individual needs, preferences, resources and behaviours. Since it is virtually impossible to cater for every customer's individual characteristics, marketers group customers to market segments by variables they have in common. These common characteristics allow developing a standardized marketing mix for all customers in this segment. The purpose for segmenting a market is to allow your marketing/sales program to focus on the subset of prospects that are "most likely" to purchase market offering. If done properly, this will help in insuring the highest

return for marketing expenditures. Depending on whether you are selling your offering to individual consumers or a business, there are definite differences in what you will consider when defining market segments. One of the main reasons for engaging in market segmentation is to help the company understand the needs of the customer base. Often the task of segregating consumers by specific criteria will help the company identify other applications for their products that may or may not have been self evident before. Uncovering these other ideas for use of goods and services may help the company target a larger audience in that same demographic classification and thus increase market share among a specific sub market base.

## 2. Objectives of the research

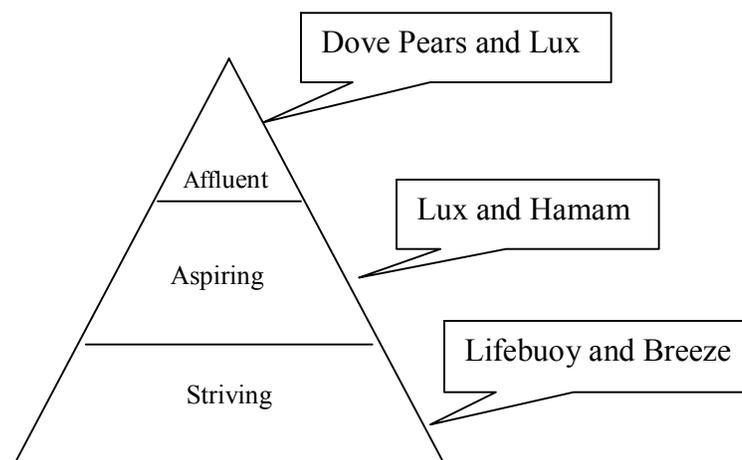
The following are the objectives of the research:

- To study the various basis of market segmentation created by Hindustan Uniliver Limited (HUL) and Indian Tobacco Company (ITC) in the Indian Rural Market.
- To study the various targeting strategies used by HUL and ITC in the various segments created by the company in order to attract customers.

## 3. Key targeting strategies of the HUL

HUL divide the customers into three types of the customers striving, aspiring and affluent and make targeting strategies accordingly. They are as follows:

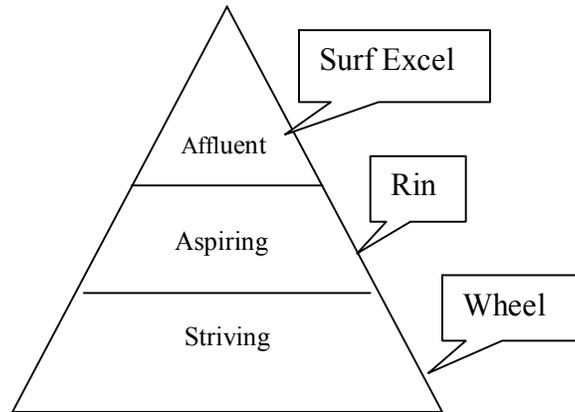
- a) **Personal Care:** HUL targets different types of customers with different set of bath products. For striving customers it offers Lifebuoy and Breeze, for aspiring it offers Hamam and basic Lux variants and for affluent customers it has Pears, Dove and superior range of Lux.



**Figure 1:** HUL strategy pyramid for personal care products

**Key strategy:** To straddle the pyramid and move consumers up to more aspirational brands. Grow share by growing ahead of the Market

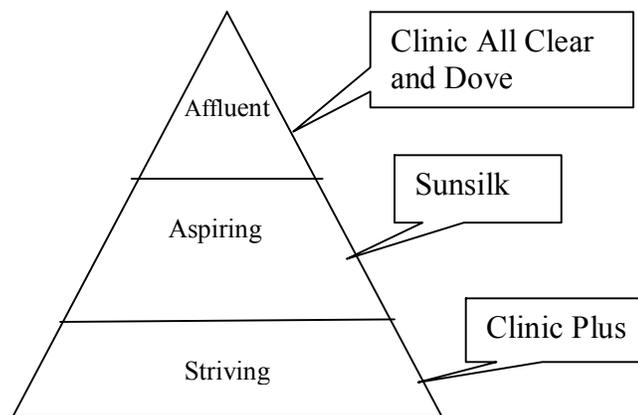
- b) Detergent:** In case of detergents it offers Wheel for striving customers, Rin for aspiring customer and Surf Excel for affluent customers.



**Figure 2:** HUL strategy pyramid for Detergents

**Key Strategy:** Work the pyramid; Grow profitably ahead of the market; regain profitability through judicious price increases and cost effectiveness programmes

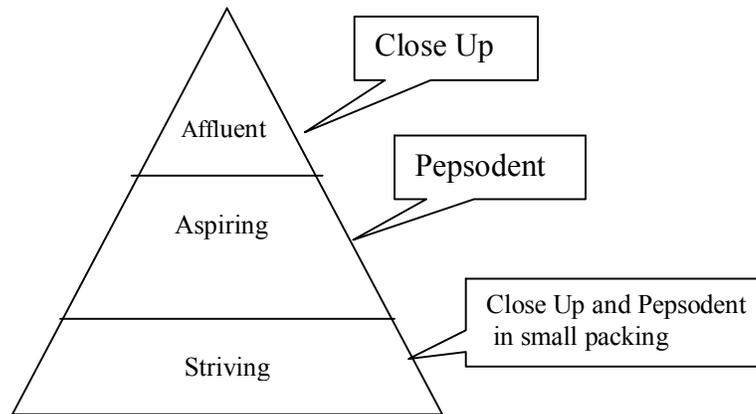
- c) Hair Care:** HUL offers Clinic All Clear and Dove to the Affluent customers, Sunsilk to the aspiring customers and Clinic Plus to the Striving Customers.



**Figure 3:** HUL strategy pyramid for Hair Care products

**Key Strategy:** Work the Pyramid; convert non users & increase penetration; upgrade the existing users to aspirational brands

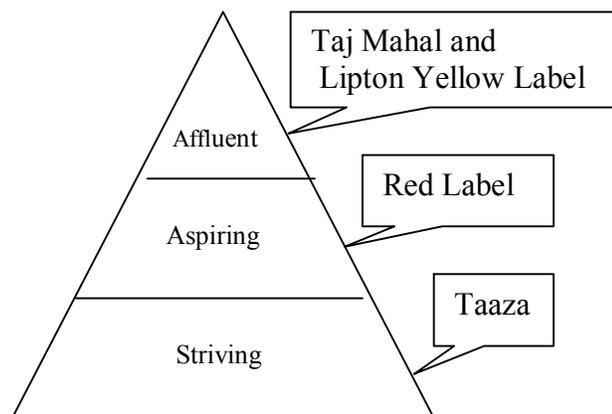
- d) Tooth Paste:** HUL offers Close Up to affluent, Pepsodent to aspiring customers, whereas it offers both brands in smaller packing for the striving customers.



**Figure 4:** HUL strategy pyramid for Tooth Paste

**Key Strategy:** Grow with market with the our brands Close Up on freshness platform and Pepsodent on family & health platform

- e) **Tea:** HUL has different tea variety for the various the different segments. For affluent customer it offers Taj Mahal and Lipton Yellow Label. For aspiring customers it has Red Label whereas for the striving customers it has Taaza tea.



**Figure 5:** HUL strategy pyramid for Detergents

**Key strategy:** Presence across the pyramid; drive up-trading of consumers; Convert loose tea drinkers to packet tea consumers

#### 4. Key targeting strategies of ITC

ITC has different targeting strategies for each of its brands. They are as based on six mantras they are as follows:

- a) **Segmentation:** Creating brands from scratch with no history and lineage, ITC used clear segmentation across its five product lines and the target audience, each brand was meant for.

- b) **Group synergy:** Once the five products were created and communication strategies set, ITC leveraged its properties like hotels, foods and apparel store network to retail these brands
- c) **Communication strategy:** Like HUL, these brands sport Western names, and different communication. Essenza & Fiama, meant for the elite, have English communication, while Vivel & Superia use Hindi.
- d) **Brand extensions:** Selective extensions as it don't want to confuse consumers with too many irrelevant brand extension & sub-brands. The Essenza range is the only exception.
- e) **Brand ambassadors:** ITC uses brand ambassadors strategically. While for the Fiama and Vivel ranges it has roped in brand ambassadors, for the Superia & Essenza ranges the key target group is the real king.
- f) **Packing:** Since packaging plays a key role in product differentiation, ITC uses it to the hilt. It has taken foreign experts' help to make its products stand out from competition.

For individual brand the key strategies of ITC are as follows:

**a) Strategy for *Essenza di Wills***

- *Segmentation:* *Essenza*, as the Western name suggests, targets the luxury seeking elite
- *Group synergy:* Basically being distributed through ITC hotels and Wills Lifestyle stores
- *Communication strategy:* Gender-neutral, mostly in English, and a bit of French—the language of the super elite
- *Brand extensions:* Instead of brand extensions, it has sub-brands like Inizio, Aqua and Mikkle
- *Brand ambassadors:* No brand ambassadors; the target group do the role as they are very individualistic and are super achievers.
- *Packing:* Manufactured in France, the *Essenza* packaging has an international appeal

**b) Strategy for *Fiama di Wills***

- *Segmentation:* It tends to target at the young, urban, aspirational women. Its core target group is the upper and mid-segment urban consumers.
- *Group synergy:* Besides, being retailed at departmental stores, it is also present at Wills Lifestyle stores, & ITC hotels
- *Communication strategy:* Mostly in the language of the young urban woman professionals—English. Its aspirational in nature
- *Brand extensions:* It has been cleverly leveraged in the shampoos, shower gels, soap and conditioner categories
- *Brand ambassadors:* Sophisticated, young, having arrived & beautiful Deepika Padukone is used to further the brand recall
- *Packing:* Premium packaging to compete with the likes of Dove. Designed with help from American packaging experts.

### c) Strategy for Vivel di Wills and Vivel

- *Segmentation*: Clever targeting: Vivel Di Wills for the upper-middle class and Vivel for the popular mid-segment.
- *Group synergy*: Retailed at John Players stores, besides ITC's traditional distribution channels
- *Communication strategy*: Communication in Hindi & English to cater to both upper-middle & popular middle class.
- *Brand extensions*: Vivel & Vivel Di Wills a clever way to target the 'Lux' consumers of yore
- *Brand ambassadors*: Kareena Kapoor is the brand face thanks to her popular mass and class appeal
- *Packing*: Vivel Di Wills has a more premium packaging, but Vivel has a different packaging

### d) Key strategy for Superia

- *Segmentation*: Superia is the mass brand from the ITC stable, catering to lower income and rural segments like a Lifebuoy does
- *Group synergy*: Retailed through ITC's distribution channels across the hinterlands, especially the E-Choupal for rural reach
- *Communication strategy*: Being a mass brand, it caters to segments where aspirations are low, and family is very close-nit. The brand has a family-oriented communication strategy too
- *Brand extensions*: Superia has four soap variants and three shampoo variants which take on the likes of Clinic All Clear, Lifebuoy, Breeze, Godrej No1 etc
- *Brand ambassadors*: No popular brand ambassador; the focus is on the target audience, which is the low-income families
- *Packing*: The only brand which is available in sachets, Superia has colourful packaging, which is common among mass brands

## 5. Conclusion

Presence of the personal care products of both Hindustan Uniliver Limited (HUL) and Indian Tobacco Company (ITC) can be seen in every segment of the market. Both HUL and ITC have used the market segmentation practices most efficiently and cleverly to divide the whole market into various segments and to satisfy the needs of all the customers of the various segments. Both HUL and ITC used the purchasing power of the consumer, as the most important bases, to divide the whole market into various segments and try to offer different product for each segment.

HUL has divided the whole market segment into three types of consumer, they are, firstly type of customers are those which are having very low income called as striving customers and they are the largest in number as compared to other types of customers defined by HUL. Second types of customers are called as aspiring customers, those who are striving for recognition or advancement; they have relatively high purchasing power. Third set of customers are called as affluent customers who are having an abundance of wealth, they are relatively less in numbers as compared to other group of customers. HUL has designed a different targeting strategy for every

segment of the market to satisfy the needs of customers under those segments with the aim of attaining organizational objectives

ITC has also followed in the same pattern of dividing the whole set of market into various segments mainly based on the purchasing power of the customers, but it has clearly differentiated the complete market. The brand names of the ITC products itself represent which particular segment of the market it is targeting. ITC has also used big celebrities as brand ambassadors to promote their products. ITC also tend to target the various customers by using different distribution strategies for the various products. ITC and HUL are successfully segmenting the market, which tends to help in identifying the various needs of the customers in a particular segment in a better way and according to which the company can target the customer accordingly.

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