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VALS™ Psychographic: A New Way of Market Segmentation in India

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Abstract:

Consumer behaviour is very unique in nature. Each of the consumers have different attitude towards the product. That is why marketing for a product is not everybody's cup of tea. But some where they are connected to each other. Marketers nowadays are searching the connection between them in order to make their marketing process easy and affordable. This can be done only by creating the market segmentation. The bases of marketing segmentation can be demographic segmentation means age of the consumers, income, sex, education etc., may be geographic segmentation means region, climate, population etc., or even behaviour segmentation means occasion, benefits etc. or even psychographic segmentation mentioned in VALS. The purpose with the thesis is to provide a framework for exemplifying how psychographic market segmentation especially VALS™ can determine the right target customers. Along with that it will also be searched to find out the usefulness of VALS™ to tap the Indian market in most efficiently. Study says this particular system is already very successful in country like US and other developed countries. Now it is the turn for India.

Key words: Consumer Behaviour, Market Segmentation, Demographic Segmentation, Behaviour Segmentation, Geographic Segmentation, Psychographic Segmentation, VALS™

1. Introduction

VALS™ psychographic segmentation is one of the most popular classification systems of the consumer market available worldwide. According to www.sric-bi.com the official website for VALS™, this popular marketing and consulting tool helps the marketers and the business houses worldwide to develop and execute more effective strategies. This system has a capability to recognize current and future opportunities by creating segmentation of the consumer on the basis of the personality traits that drive consumer behavior. This technique can be implemented in all phases of the marketing process. It may be a new product in old market or even an old product in new market or many more other strategies. The principle of VALS™ is that people express their personalities through their behaviors. The VALS™ segmentation process is done on the basis of various types of consumer's personality that they manifest in their behavior in the marketplace. According to www.sric-bi.com VALS™, uses psychology to segment people according to their distinct personality traits. The personality traits are the motivation—the cause. Buying behavior becomes the effect—the observable, external behavior prompted by an internal driver. The acronym of VALS™ is 'values and lifestyle'. This particular concept is successfully introduced in many markets worldwide especially in United States and many more developed countries. India is one of the youngest countries and as per Dr. Nagraj H. et al (June 2010) world third most brand conscious country in the world. VALS™ psychographic segmentation can give an extra edge to the marketers and the corporate houses.

This paper examines and reviews literature regarding the above mentioned topic which is based on secondary data. This research paper also examines various type of market segmentation technique in the recent past. The main objective of this paper is to identify the effect of VALS™ psychographic segmentation on market in India. Conclusion is made on about how companies in India are using VALS™ to get edge of the market.

1.1. Problem Statements

VALS™ psychographic segmentation is one of the most popular classification systems of the consumer market available worldwide. Many companies are employing such technique to get an advantage of the market. The study will focus on the area where companies are one step ahead of other competitors by the implementing VALS™ psychographic segmentation worldwide by taking only some cases into account.

1.2. Research Objectives

The objectives of this research paper are as follows:

- To search out companies who already implemented VALS™ and receiving advantages in India.
- To search out the prospect for the companies if they implements VALS™.

2. Theoretical Framework

2.1. The Market

A market can be defined as a set of consumers who purchase their product as per their demand (desire to buy + ability to purchase + willingness to pay). With years of research, marketers have recognized that the demands of the customers are not all alike. Kara and Kaynak (1997) said that homogeneity in market is not present nowadays. Basically it is the beauty of advancement in science and technology. The competition is become a never ending road, and an ample number of substitute products are available in the market, and every individual has their own type of behaviour and response towards the market. Competitor also tries to become the market leader by increasing their market penetration rate. Resultantly there are almost limitless avenues are made available to the customer by the seller and blow the whistle for the race. At this juncture, consumers also get opportunity to choose the best for him or her from the product line. It is not the end; as the time passes every individual consumer also keep changing their needs and wants as well. As per example, as the demographic profile of consumer change like education, age etc. their values, their requirements, their needs and wants also keep changing as well. Here segmenting the customer may play the key role. As the segmentation process tries to bring some order to this disorder by finding small homogeneous groups of consumers in the larger market, for the benefit of producers and allow them to find consumer groups best suited for their product line.

2.2. Need of Market Segmentation

Market segmentation is an essential element of marketing in all over the world. Companies cannot sale goods without considering the heterogeneity needs and wants of the consumer. Basically segmenting is the process where the marketers divide the market into groups thus they can target the relevant groups. Philip Kotler et al (2009) in the book of Marketing Management also support the fact. In their language “companies divide the large, broad and diverse market as per the needs and wants of the customer”. Then they decide which segment they can serve effectively to earn their desire revenue. Barnett N. L. (1969) is of the same view and defines segmentation as a concept referring to the notion that consumers comprising a market for a product can be sub-divided into smaller groups which have different needs and wants.

So it is very clear that, the process of segmenting and targeting of customers allows the marketers to deliver a product within the target audiences needs and wants (Pickton and Broderick, 2005). It is a necessity to establish the needs and values of the target customers within each segment, in order for companies to promote their products, brands or services appropriately.

From the above discussion the following conclusion can be drawn about the need of the marketing segmentation:

- It helps to create differences between different consumers group within a market.
- It helps the producers to produce the right kind of product with right kind of volume and hedge the risk of the market.
- It helps the seller to put right kind of product in the market thus they can tap the accordingly.
- It helps the marketers to implement more effective, efficient, economic marketing thoughts.

2.3. Process of Market Segmentation

According to Tapan K. Panda (2010), marketing segmentation process is a step-by-step approach which a marketing manager follows. Steps are as bellow:

- **Forming Market Segments:** It is the first step of the segmentation process. Here the marketer follows two approaches to form the segmentation. The two steps are a) Build-up approaches and b) Breakdown approaches. The first one is good for B2B markets or an industrial buyers and the second one for B2C or individual market.
- **Profile Segments:** It is the second step. In this step marketers go for the analysis to understand the profile of the customers. Then they build the profile of the customer by searching the homogeneity in their behaviour in order to create the segmentation.
- **Evaluate Market Segments:** In the third step, after forming and profiling now the marketer searches the expected profit contribution of each segment. For doing so they evaluates every information and scan the direct and indirect benefits may be derived from them.
- **Select Target Market:** At the last step of selection they try to identify correctly the target group market. It is very important stage because here they have to select that where they can give the cost and time efficient, effective and reliable product and or service.

Peter Rix (2001) identified three stage of market segmentation process. The stages are as follows:

- **Identify the needs & wants of customers:** Here in this stage marketers are liable to find out the undefined needs and wants of the customer
- **Identify the different characteristics between market segments:** In this stage it is very important to identify the distinguish characteristics of the various segmentation groups.
- **Estimate the market potential:** Here in this last stage marketers are there to search out the gap, which may give an extra edge for a potential market.

So according to the previous articles it can be concluded that every stage is constituted with six primary points. They are:

- Need identification,
- Segment formation,
- Characteristics different identification,
- Profile formation,
- Market potential identification, and

- Target market.

2.4. Bases for Consumer Marketing Segmentation

Market segmentations are many types. The marketers uses different type base to identify the target market. Some of the most common bases are as bellow:

2.4.1. Geographic Segmentation

According to Philip Kotler et al (2009) in the book of Marketing Management mentioned about five indicators to calculate the market potential value of towns in India like i) number of consumers, ii) the mean value of those consumers, iii) the consumption behaviour, iv) awareness level of the consumers, and v) the availability of the marketing support infrastructure.

Here the geographic segmentation variables like:

- Region: This segmentation done on the basis of region or country or may be district or even cities. Example North India, Eastern India etc.
- Population: This segmentation is done on the basis of the density on the population. Example Urban area, rural area etc.
- Climate: This segmentation is done on the basis of the climate or even the temperature like cold zone, hot zone, average temperature zone etc.

2.4.2. Demographic Segmentation

Philip Kotler et al (2009) advocated that the reason for the demographic variables are so popular for the marketers because of the variables under this segmentation are associates with consumers needs and wants and along with that they are easy to measure. Some of the variables under this segments are as below:

- Age: Age of a person is one of the major factors for this segment. Various company uses age wise segmentation to promote their product.
- Income: Second major factor is income of a customer. Various income group people favour different product or service from the market. But as per Philip Kotler et al (2009) income always does not predict the best consumer for the given product.
- Life stage: Different life stage of customer also manifest different attachment with different product. Like married or unmarried customer shows different choice for the product.
- Gender: Gender also plays a key role to predict consumer liking. Male and female shows different attachment for a given product.
- Generation: With same age different generation people manifest different liking or disliking for any product or service. For example a person around 50 years of age near about 50 years ago may show interest in “Geeta” but nowadays they may be interested in Hindi film or music.
- Social Class: Different social class of customer shows different interest in product or service. In India different class of customer favour different segment of cars. Philip Kotler et al (2009) also advocated that different socioeconomic class of a customer brings different choice for product or service and it is the beauty of his or her education added with his or her occupation.

2.4.3. Behavioural Segmentation

It is another way to segmenting the target consumers group. The insight of these variables can be taken from Philip Kotler et al (2009) in the book of Marketing Management. Those variables are as below:

- Occasion: Consumers shows different behaviour during the different occasion. For example in eastern India customer purchases a lot of dress before Durga Puja.
- Benefits: Consumers may show different behaviour for the product because of the benefit derives from them. The product with different quality or service may influence the choice of the product. In India customer prefer Maruti car more than any other car due to the service centers which are available almost anywhere in India.
- User Status: Different user type of customer shows different behaviour for the product. For example product with the first time users are much more nerves than the regular users, and thus it can change the demand schedule for the product.
- Usage Rate: Different usage rate of the customer may show different behavioural pattern. For example High usage rate of internet user may be prefer to go with post paid service.
- Loyalty Status: Different loyalty status of a customer for a product may shows difference in behaviour. For example people who are strongly loyal for any product may not change his or her choice except if anything go wrong.
- Readiness Stage: The readiness habit creates awareness. Example Consumers with high degree of awareness bypass the emotional purchasing behaviour.
- Attitude towards product: Different attitude towards the product may stimulant the purchasing behaviour. Positive and enthusiastic attitude of a customer for a product increase the demand.

2.4.4. Psychographic Segmentation

Researchers in social science have combined demographic and psychological variables into a new concept called ‘psychographics’. Philip Kotler (2005 & 2009) also advocated the fact and with his influence some of the psychographic variables can be defined as below:

- **Social Class:** Different social class has different symptomatic behavior. Some people are crazy about reading comic book, some are for purchasing bike. Many companies design products or services to appeal different social classes. (Philip Kotler et al. 2005).
- **Lifestyle:** Lifestyle of a consumer shows different purchasing behavior of a consumer. People prefer to buy those items which he or she uses in their day to day activity (Philip Kotler et al. 2005).
- **Personality:** Consumer's behavior can be segmented according to their personality. Use of the product, addiction to that product etc. depends a lot on his or her personality (Philip Kotler et al.2005).

2.5. About VALS™

One of the best-known categorizations in this area is the VALS™ System. This segmentation can be done by three different types of input like social class, lifestyle and personality. Even people are in the same demographic group, they also can have different psychographics (Philip Kotler et al. (2009). VALS™ segmentation for psychographic differences made by SRI consultation group can be denied in this occasion.

In the year of 1978 social scientist Arnold Mitchell first time developed VALS to find out the real division of US society (Alain Miranda et al Nov 2007). In 1989, VALS was restructured to increase its ability to forecast consumer behavior. A team of experts from SRI International, Stanford University, and the University of California, Berkeley, determined that consumers should be segmented on the basis of enduring personality traits rather than social values that change over time (Alain Miranda et al Nov 2007). The second one is also known as VALS2.

According to (Philip Kotler et al. (2009) Segmentations of VALS 2 are as below:

- **Innovators:** Innovators are successful, sophisticated, take-charge people with high self-esteem.
- **Thinkers:** Thinkers are mature, satisfied, comfortable, and reflective people who value order, knowledge, and responsibility.
- **Achievers:** Achievers are motivated by the desire for achievement. Achievers have goal-oriented lifestyles and a deep commitment to career and family.
- **Experiencers:** Experiencers are motivated by self-expression. As young, enthusiastic, and impulsive consumers, Experiencers quickly become enthusiastic about new possibilities but are equally quick to cool.
- **Believers:** Like Thinkers, Believers are motivated by ideals. They are conservative, conventional people with concrete beliefs based on traditional, established codes: family, religion, community, and the nation.
- **Strivers:** Strivers are trendy and fun loving. Because they are motivated by achievement, Strivers are concerned about the opinions and approval of others.
- **Makers:** Makers are practical, down-to-earth, self sufficient people who like to work with their hands. They search products for practical or functional purpose.
- **Survivors:** Survivors live narrowly focused lives. With few resources with which to cope, they often believe that the world is changing too quickly.

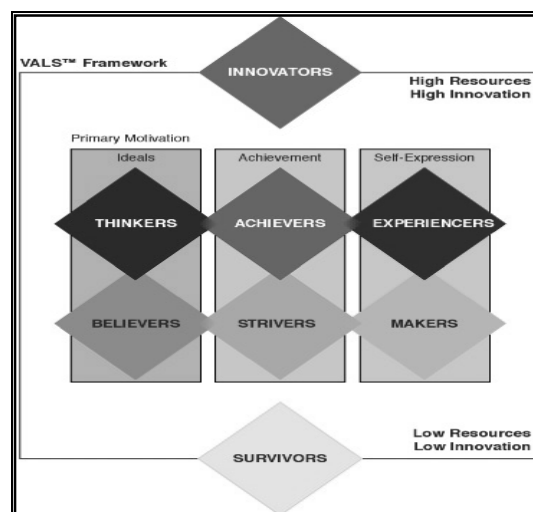


Figure 1

Source: VALS™ © SRI consulting Business Intelligence

3. Research Methods

3.1. Research Design

A descriptive research is conducted in discussing four cases in India. Descriptive research is used to describe the usefulness of segmentation in the below mentioned four cases. For this purpose secondary data were composed. The secondary data were collected through newspapers, magazines, books, journals, conference proceedings, Government reports and websites.

3.2. Quantitative Research

Quantitative data are generally collected at any point of time which leads to higher degree of reliability. Research reports and annual reports from secondary sources have been taken into consideration while collecting data. The techniques used during the data analysis stage of the research project included descriptive statistics such as mean, standard deviation and range, frequency distributions and percentages.

3.2.1 Case 1

In the year of June 2010 an article published by Soney Mathews and Dr. H. Nagaraj title “An Analytical Study of VALS of Youth –Implication to Marketers” shows that youth Indian have changed from the past. Although they still follow some set of shopping, educational values and culture which is imposed to them by the family. But the entire lifestyle of youth has change. In their article Soney Mathews and Dr. H. Nagaraj disclosed a statistical data to prove the fact. The report has been created on 206 respondents in Bangalore city and questionnaire formed to take date to reach to the conclusion. A table of opinion has been declared in this regard. In that table data has been collected to satisfy five different objectives. Objectives are 1. Family Orientation, 2. Fashion Orientation, 3. Education Orientation, 4. Brand Orientation, 5. Shopping Orientation. Details of the report explained below:

- **Family Orientation:** Here three question been asked like a. Family is always a forcing factor for me b. I would love to spend most of the time at home c. “Home-sweet- home” is always a concept for me. For the first question 80% of the male and 91% of the female answered in favour of that, For the second question 74% of the male and 84% of the female answered in favour of that and For the last question 78% of the male and 80% of the female answered in favour of that, which means maximum percentage of the responders are favouring the family values.
- **Fashion Orientation:** In this segments question been asked like a) A person should always update himself/herself about fashion, b) I always get entertainment from media, c) I always dress to impress others. For the first question 59% of the male and 72% of the female answered in favour of that, For the second question 77% of the male and 87% of the female answered in favour of that and For the last question 78% of the male and 78% of the female answered in favour of that, which means maximum percentage of the responders are upgrading their view towards the fashion.
- **Education Orientation:** Here three question been asked like a) Education is very important for a person’s success, b) I don’t believe that the Indian education adds to my value, c) Foreign degree is more glamorous than Indian degree. For the first question 72% of the male and 75% of the female answered in favour of that, For the second question 75% of the male and 69% of the female answered in favour of that and For the last question 76% of the male and 76% of the female answered in favour of that, which means maximum percentage of the responders are ready to give value to education.
- **Brand Orientation:** In this segment variables are a) Brands that I use express my personality, b) I am very crazy about brands, c) I always buy brands to satisfy my peer group. For the first question 69% of the male and 72% of the female answered in favour of that, For the second question 75% of the male and 66% of the female answered in favour of that and For the last question 67% of the male and 69% of the female answered in favour of that, which means maximum percentage of the responders are brand conscious.
- **Shopping Orientation:** a) I don’t believe in tomorrow so that I live today, b) I always indulge in shopping, c) I spend money on things that aren’t practical. For the first question 74% of the male and 66% of the female answered in favour of that, For the second question 74% of the male and 74% of the female answered in favour of that and For the last question 68% of the male and 69% of the female answered in favour of that, which means maximum percentage of the responders are ready to give importance to shopping behaviour.

The above said study says that the youth are brand driven, shopaholics, they are mostly self oriented and would like to indulge in buying to enhance their personality among the peers. Looking into this a marketer can focus more on the youth of India in a better manner.

3.2.2. Case 2

In the book of Marketing Management, Philip Kotler (2009) mentioned that how TATA company with their famous brand of watches of Titan have wide ranges of watches for different group of customers. Brand name like Egde, Raga, Nebula and Regalia have been for specific groups. Some of the brand comes with gold plated band and some of them with leather band. Along with that Fastrack is another created especially for the youth generation, who love sporty look for their watches and even good looking watches with low price.

3.2.3. Case 3

According to Rathore and Tilak (2006), in their article “A review of India’s automotive industry: Management briefing: The light vehicle market”, have added a substantial amount of literature in the automobile industries. They actually try to explain the dealership networks of the various automobile manufacturers in the country. They actually concentrated on the prices offered by the manufacturers on their products. With their deep study they found that India is largely a very price sensitive market. They

have combined the offered price with benefit to create segmentation and they found that “The Indian market is highly price- and value sensitive. The best-selling cars in the market are also the cheapest, with highest perceived value.” With regards to current methods of segmentation, Rathore and Tilak have written about segmentation in terms of size alone. They have divided the cars right from segment ‘B’ to segment ‘D’, where ‘B’ refers to the small vehicles and ‘D’ refers to the saloons.

3.2.4. Case 4

Further in the book of Marketing Management by Philip Kotler (2009) advocated that how instant noodles manufacturers and ready-to-eat, easy-to-cook food are got their branding by targeting time constraint consumers. In nowadays Maggi, Top Raman, Foodls are famous name for any kind of busy people. Although this kind of foods are also very famous among the mountain hikers who do not have enough materials to cook delicious food at the top of the hills. Ruther they prefer this kind of foods.

4. Conclusion

India is big country. Population is more than 100 corers. Thus the Indian consumer market is absolutely unsaturated in all fields. Creating segmentation is also neo thoughts here. Although some segmentation process on the basis of geographic or demographic are done here. But the psychographic segmentation especially VALS is a rare story in this market. All the previous case studies are showing the some unstructured model of segmentation. But even with that model companies are gaining some profit and they become role model for others. So if company can implement the segmentation process in a scientific way they can earn more profit and may be the pioneer in their field. VALS psychographic segmentation process brought a lot of success in develop countries, and it is also expected that psychographic segmentation process can create history in India.

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