Lecture - 12

So, we are discussing strategic marketing and the contemporary issues. As we have discussed in several previous sessions.

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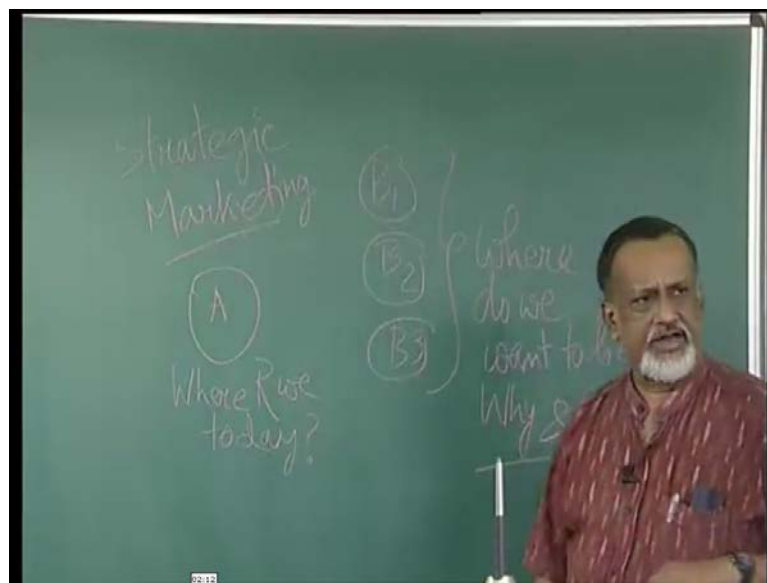
We are primarily looking at where are we today in terms of our marketing position, where are we today in terms of the organizations strategic position, in terms of the s b u strategic position. So, we did looked at different sort of analysis in terms of the strength, weakness of the organization of our marketing strategy. We looked at issues like market share, we looked at analysis of the competitive situation, we looked at competitor analysis, business intelligence and based on that position analytics. So, all that, so far tell us in detail, how to assess? Where are we today?

We have started the discussion in the previous couple of sessions, where do we want to be? Where do we want to be, and we are now going to focus more specifically, why and how? Where do we want to be could be several positions B 1, B 2, B 3.
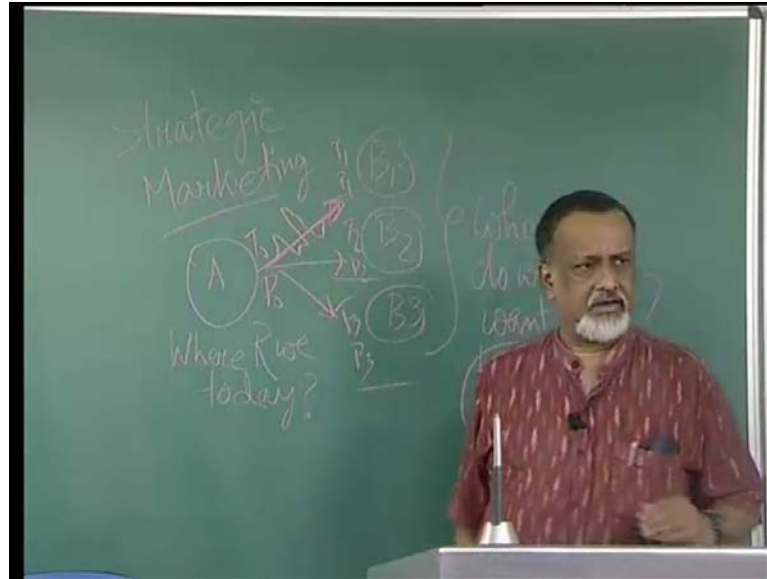
Earlier, if you remember we had talked about T 0, P 0. So, this could actually be T 1 P 1, T 2 P 2, T 3 P 3. So, this could be various options with respect to our strategic objectives to be achieved at different points of time, could be at the same time T 1, T 2, T 3 all could be the same meaning as see over the next 24 months. So, or over the next 3 years 12 months or whatever it may be or they could be different that means this is what we want to achieve by the next 12 months. This is to be achieved by the next 24 months. This could be what we want to achieve in the next 36 months. Important point at this stage is to understand that what are how do we know that we want to be there? Why do we want to be there and how are we going to get there?

We have also discussed that all these strategic journeys are not exactly we can plan for a very linear that we will grow our market share every month by 2 percent over the next 12 months. But in reality in some months it can go to 5 percent, in some months it can actually go to minus 2 percent, in some months it can go to 10 percent growth and so on.

So, the path even though we planned for the linear growth, as we get along we have to do tactical corrections. So, marketing tactics derived out of marketing strategy, the options we discussed in the last session important point. I reemphasize is that every strategy should have a good analytical provision for different situations. Therefore, this A to B or A to B 1 should have alternatives fall back an adaptive components. So that, we can take care of the uncertainties as we proceed, and those are to be built into the tactical part of

the marketing plan. And, we will discuss some of these issues today and tomorrow. So, we are now looking at how do we analyze this marketing opportunities? How do we segment them? What is the nature of B 1? What is the nature of B 2? What is the nature of B 3 and how do we actually plan to get there?

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So, this opportunity identification B 1, B 2, B 3 fundamentally means identifying new buyers, it could also be identifying new opportunities with existing buyers. If you remember, we discuss the concept of wallet share or getting a higher share of the customer spent in a certain category, which is usually derived by understanding what are the unsatisfied needs of the buyers? So, the unsatisfied needs can lead to new offerings or it could be the opportunity to create enhancement in the current offering. But fundamentally in both cases we are looking at meeting unmet needs that is at the core of this topic of identifying opportunities, and finding ways to take advantage utilize that identity that identification.

Of course, as we have discussed in the last few sessions, there may be an opportunity. But not all opportunities are valid for an organization at a particular point of time could be due to resource constraints, could be due to competence, capability constraints, and could be due to other preoccupations all that will come out from the SWOT analysis.

And based on that, we can decide that there are opportunities B 4 or B 5, but at the moment, we retain these three as our objectives. And we are at the moment put this two either we reject them or we put them on backburner for future. In choosing B 1 B 2 B 3 over B 4 B 5, we use 2 types of analysis qualitative as well as quantitative by this time you are already familiar with the qualitative aspect.

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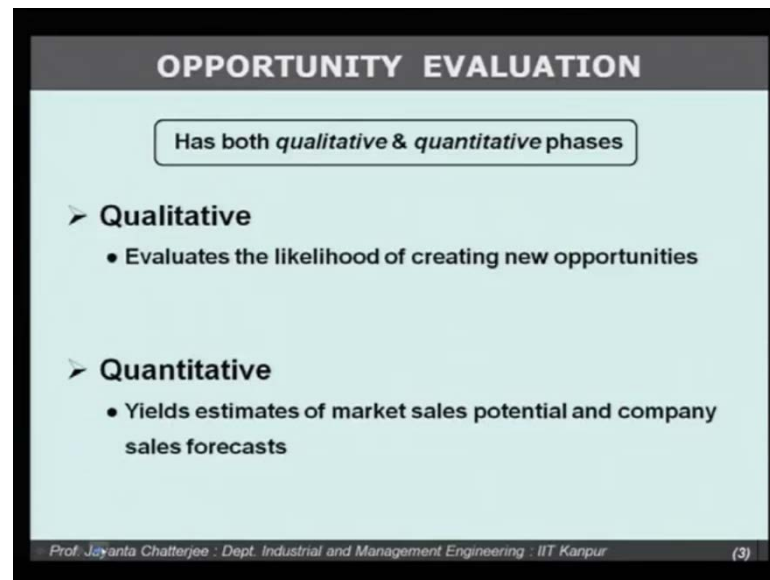
Qualitative aspects usually relate to creation of some complete new opportunities. And quantitative means identifying numbers like what could be in rupee terms, the additional sales revenue potential or in volume terms the number of additional units that can be sold. It could be by like the example, we discuss about Woodland going to China. It could be by way of discussion that we had on about major biscuit manufacturers introducing better nutritional options or low sugar options in their biscuit range and so on. So, it could be product variant, it could be a new product or it could be a new market geographically or in terms of usage.

And we will look at all of these by utilizing a diagram like this. So, as you see here, we have buyer 1, buyer type 2, buyer type 3 could be like this B 1, B 2, B 3. Now obviously, we are almost never playing with an open situation, no blank slate where you can draw anything that you want to.

There will always be some competitive activity that already exists right. So, this could be fairly intense in terms of competitor activity. This could be a kind of a new, there could be very few competitors here, and there could be only one competitor here. So, it changes it that that it could be different. Now, if there is only one competitor as oppose to a place where there are many competitors as you can understand that therefore, this is possibly in the product life cycle. In the life cycle somewhere in the post growth scenario or high growth scenario, which means that the buyer requirement are well known, whereas if there is only 1 competitor presumably that is a segment where the market opportunities have just immerged.

So, there could be many question marks here, with respect to buyer requirement right. If you look at the demand supply situation, again here there will be a good set of knowledge, whereas here maybe some stuff, some vendors are identified the supply chain has been established. But it could also have many unknown factors; there could be this social political legal environmental issues, economic issues. So, there could be a social move towards healthier snacks which means that it is a biscuit market light, snacks market quite intense with competitive activity buyer requirements are known. But new buyer requirements are emerging influenced by new developments, new consciousness in the society.

At that stage of course, we have to also understand that what is our organizational capability? Maybe the organizational capability to create a new range of biscuits, may be the organizational capability to use to develop a new type of shining metal colour paint that is that adds high corrosion resistant. And is very impervious to saline environment could be an interesting opportunity for say automobile paint market in areas like Bombay or Chennai, where we have high rate of corrosion due to the salt in the air, and in the water around that area. So, it is a new type of opportunity that can emerge which can leverage the organizational capability to do this new kind of development. So, you can see here, this matrix gives us a good way of planning that what kind of importance we have in this current plan period for these 3 types of buyers or this 3 types of market segments. And we can plan our resource allocation based on this sort of analysis.

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Now, the benefits of this sort of segmentation of the total opportunity into 3 parts, they are not of the same size this opportunity could be much bigger in potential than this opportunity.

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But this sort of analysis that we saw just now, the opportunity evaluation matrix allows us to think about new product development, utilizing organizational capabilities, understanding new buyer requirement. So, it gives us a good handle on the new product development charter for the company, it helps us to design good marketing programs to reach. So, we know that what kind of marketing program will be needed here? We know that the marketing program here will be knowledge sharing, high level of promotion, because here we are at the early stage. The marketing objective here is to establish our differentiation, whereas here the market is maturing the dominant design has emerged standards have been set.

So, as we discussed before our competitive activity as well as our marketing plan has to focus on operational excellence managing the cost downwards and so on. So, accordingly the opportunity analysis and segmentation gives us a good way to allocate marketing resources for the different elements in the marketing mix, the promotion, the packaging the distribution and so on.

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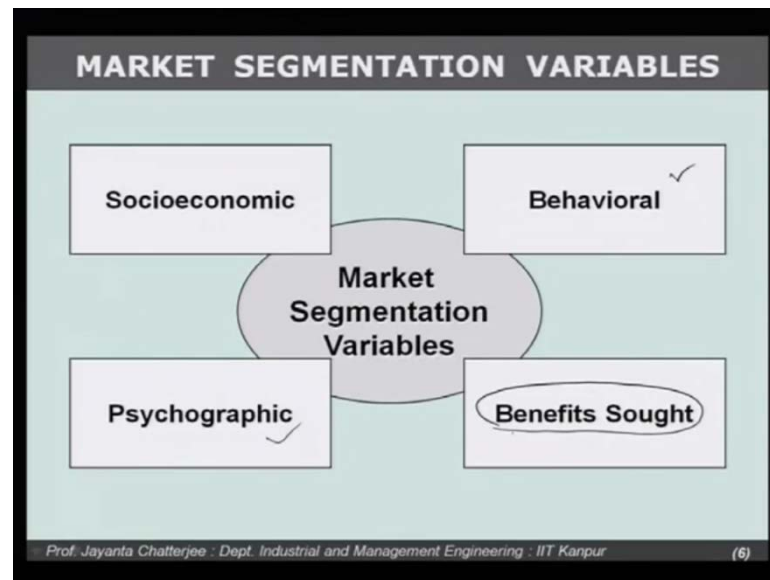
The market segmentation is not only in terms of what we see as competitive activity or the demand supply situation or organizational capabilities. These are often coming out of the current situation analysis, but where we can go can often be actually by digging into researching into behavioural aspects, psychographic aspects. So, that we can uncover or discover unmet benefits sought by the customer.
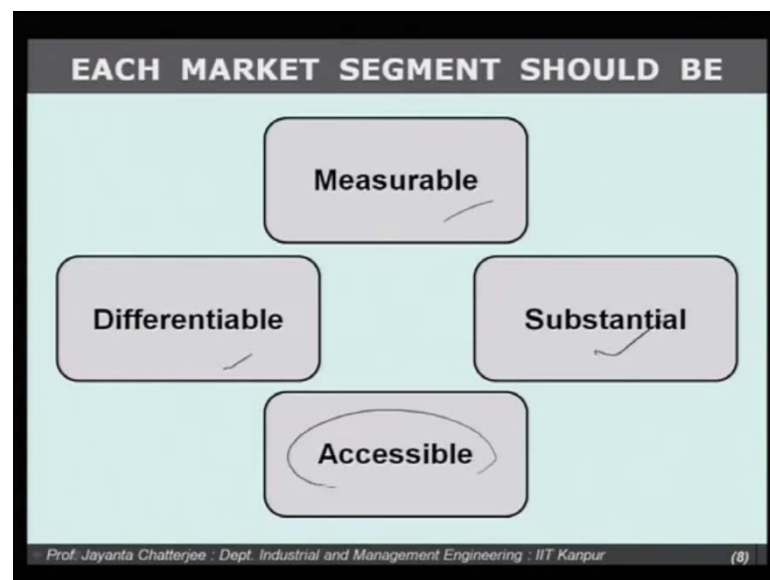
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Let us look at some example. So, what we are looking at therefore, to when we before discussing an example that we will look at which is the marketing market matrix for

smart phone. But before that, when we are looking at this B 1 B 2 B 3, the questions that we are trying to answer are those famous what we call the w h questions; who are they? Who are these customers we are targeting? What do they want to buy? How do they want to buy? Where do they want to buy? When do they want to buy? And some additional question to this, why is not only? Why do they want to buy? Or in addition we should also answer that why will they buy from us instead of competitor x y z?

So, besides this sort of questions, we may have all the answers to these. But that is not enough to validate that, whether this is an objective that we should pursue at this point of time. We also need to understand that this market segment is it differentiable, is it clearly different from this B 2 in terms of these criteria behavioural benefits sought and so on.

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EACH MARKET SEGMENT SHOULD BE

Measurable

Differentiable

Substantial

Accessible

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Can be measured those differences are the features substantial. And is this market accessible to us, there could be a fantastic market opportunity for Woodland in the high mountains of Peru or Switzerland, but may be to the cost of accessing those markets are the ways to access those markets are not within the current reach of the organization. So, maybe therefore, even though it is differentiable measurable substantial, but because it is not accessible it is not a valid, it will not figure, it could be something that is you might like to keep for your future plan having identified that as an opportunity.

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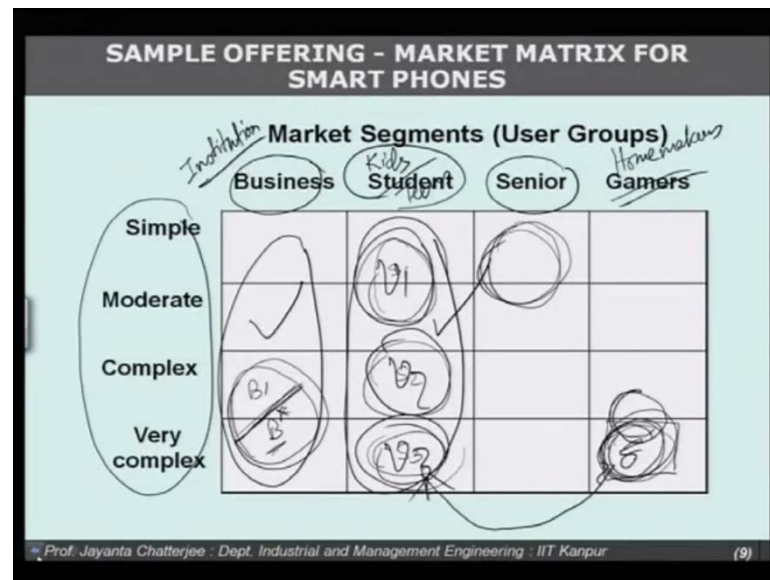
Now, here we are going to take up say smart phones this is a depiction of how you will use this segmentation formation of choice matrices? So, smart phones I mean this is just an off the cuff example. So, one can say that there are business users, student users, senior citizens, who would like to use the smart phone and gamers. Now, you can immediately see that the category can be smart phone, but the need statement will be different for these different market segments this different buyer types.

So, if it is the smart phone user for the business maybe they will most probably looking for moderate to a complex user interface, the feature bundle, the way to use for business users perhaps we will be here. On the other hand for senior citizens, they may need some part of the smartness for example, to have video chat with their grandchildren or with their family members, but they may not be interested in many of the high speed multimedia complex features which will be needed by the gamers.

So, the requirement for the smart phone, for the senior citizens, may be here. For the students actually, there may be different within that same segment, there may be 3 types of buyers some who will only want to use having decided on concentrated marketing or differentiated marketing having decided whether we are going to pursue all three segments or one or two of them, we come back to a concept that I had already introduced to you earlier, the concept of TAM 1 and TAM 2 that is total addressable market versus total addressed or served market.

So, as you know that if this is TAM 1 then usually TAM 2 will be a portion of it. And, we normally want to then go for today. This is our address market, tomorrow this will be our ad ultimately we want to cover the whole market. But once we have decided certain in terms of geography or it could be in terms of that we are going to serve only this market, are we going to serve only this market, or may be this market and this market whatever is our decision. So, if this represents the entire addressable market for smart phones.

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But our choice will give us that what is the market, that we are currently addressing also known as soft market.

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Now, our next role as marketing strategist is to determine some numbers. So, the market sales potential and obviously, it is a function of the potential number a buyers. So, once we have decided to pursue this market segment, then we have to find the numbers which will guide us towards the allocation of resources.

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So, the market potential here M is same as our TAM 1 which is the total addressable market. So, this is actually TAM 1.The proportion of the market that we want to target this is the TAM 2. Now, even within this, we may not initially be able to address

everything. So, we may be looking at this student market for smart phones, but we cannot start usually everywhere. So, we might decide to start initially in southern India or in western India or we may decide to start only in the metro cities. So, accordingly therefore, what we come here, we look at the extent of market coverage. So, we are covering half of India. So, this may be representing 30 percent depending on which half you are choosing, and the number of units that we expect to sell per customer during the year.

In case of smart phone it could be may be 1 or 1.2, because some people change particularly among the younger customers, it is a lifestyle product as well. So, there may be a faster rate of obsolescence faster rate of change. And then we take the average price per unit, and that gives us the marketing the sales forecast, a key input for deciding on the marketing resource allocation. And as these things change, like the market coverage may be just the metros in year 1, but you might be like wanting to go to the tier 2 cities in the second year. So; obviously, this will change; this will become double or triple or whatever it may be depending on what product service bundle you are looking at? And accordingly these numbers will change, and if we want to go from C 1 to C 2 or C 3, we may have to significantly invest in promotion reaching out to new customers, customer acquisition, and new customer acquisition. So, you are marketing mix resource allocation will change.

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CHAIN RATIO METHOD

Example

Market Potential for Lime-Soda carbonated drink in Punjab:

1. Population (P) = 45,000,000
2. Proportion of P that consumes soda beverages (R) = 95%
3. Proportion of R that consumes Limey beverages (C) = 70%
4. Average number of liters consumed week (L) = 2.0 liters
5. Average price per liter of Lime-Soda (A) = 30

Market Sales Potential = P x R x C x L x A
= 45 Million x 0.95 x 0.70 x 2.0 x 52 x 30 about= Rs. 93.4K Million

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The other important issue to look at another way of estimating is what we call the chain ratio method. This is applicable to products like this snack foods which we were discussing. So, if we say the, we looking at here an example say lime-soda carbonated drink that means fresh lime-soda which is normally made fresh. Suppose, you find a way of packaging it, and you want to look at the market potential for this product in Punjab. That is hypothetical say that the population in Punjab which a buys and consumes packaged carbonated drinks means they buy coke or Pepsi or Limca or Mountain dew or whatever. So, they are trying to deter suppose, that number is 45 million. Now, within them there will be people who do not like the carbonated drinks packaged, they like to make their own drinks, they like fresh may be they like lassi or matta. And so we said 95 percent of the people however, they buy coke, Pepsi, Mountain dew or Limca, whatever.

So, that is 95 percent within them there may be people who only like cooler drinks they will not be a valid target for, because they are die hard, they have something against say lime drinks. So, we take say 70 percent who may still be. Now, these estimates are guesstimates, you cannot really have accurate numbers here, but you can do some extensive survey have several focus group testing sessions. You can offer some your market to your product in certain markets, and observe keep tracking some of the retail outlets.

So, there are various methodologies which are used in market research, and based on that you come up with a number 70 percent and average number of this soft drinks as we call them or packaged sodas may be 2 litres per week. An average price per litre is say 30 then we can calculate. So, 45 million people potential customers, 95 percent of them consume soda soft drinks, 5 percent they are not usually they like either freshly made lassi, they do not drink or maybe they do not have access.

And then we take 70 percent of them who are likely drinkers of fresh lime soda type of beverage 2 litres consumption per week, 52 weeks in a year multiplied by 30 which is the average price per litre realized by you as the manufacturer. Remember, also we discussed that your realization maybe 30 but when it reaches the customer it may be 50, because we have to share margin with your channel partners. But as far as you are concerned, it gives you a market potential of 93.4 thousand that means 93.4 billion rupees of market estimate.

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MAKING A SALES FORECAST

Example

Total number of potential buyers	= 2 Million
Target Market (25%)	= x 0.25
Market Coverage (75%)	= x 0.75
Units purchased per year (20)	= x 20
Average Price (Rs.10)	= x ₹10
Forecasted Sales	= ₹75 Million

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So, we use therefore, this method chain ratio method, and the other one to determine our objective. So I repeat then total number of potential buyers target market, market coverage unit price purchase per year average price gives you forecast sale. So, that sought of brings us to the first part of our discussion to end about looking at the different market segments that we want to pursue characterizing those market segments, qualitative characterization where they are students, whether that they want complex features, whether they are gamers and want high features in terms of multimedia and speed etcetera, in their smart phone. So, these are all qualitative determinants. And then we also do some quantitative calculations, and that gives us that this is where we want to be? Why in quantitative terms and how in qualitative terms?

We will next look at few of the additional dimensions that have emerged in this targeting. In this market opportunity analysis and strategies due to information, and communication technology, and due to emergence of different types of networks that will be our topic for the next session.

Thanks.