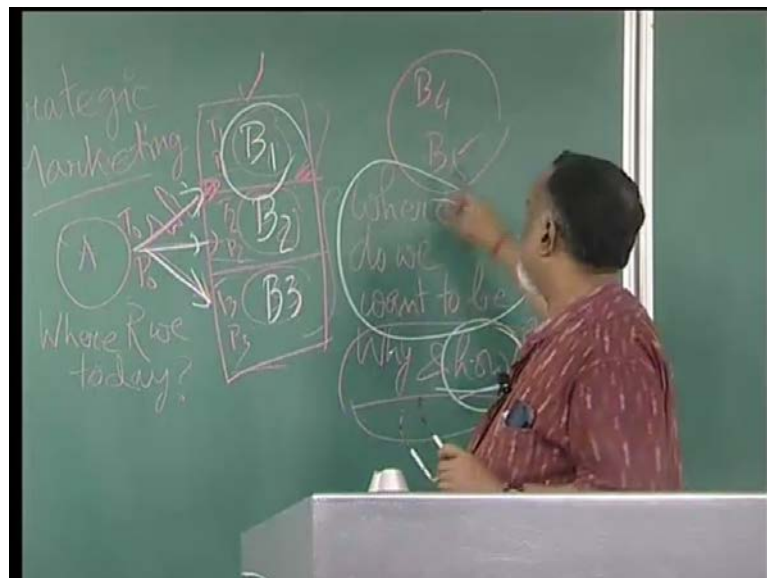


Strategic Marketing - Contemporary Issues
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Lecture - 13
Market Opportunity Analysis, Market Segmentation,
and Market Targeting

In the last session, we discussed about different aspects relating to market segmentation and market targeting. We looked at qualitative as well as quantitative approaches.

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To the strategic objectives are going from current position to the future strategic position, characterising each one of those segments, growth opportunities within each segment, the different possibilities we estimated the market numbers sales revenues. And we also looked through, that those different matrices that we looked at, that how we will create the package that will be compelling for the customer to give us the intended position in that segment.

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MARKET OPPORTUNITY SCENARIOS TODAY

- **The opportunity analysis in the market space in the networked economy is unique as compared to the past :**
 - Competition occurs across industry boundaries rather than within industry boundaries.
 - Competition occurs between alliances of companies rather than between individual companies.

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In this session, we will look at some additional dimensions in this respect, emerging because of the dominance of networks, information, network, communication network i c t enabled social network. And what impacts are created on market opportunity identification, market opportunity analysis, and strategies for availing those opportunities. And how these impacts create alternatives or finer possibilities?

The key point here, we discussed that somewhat in the, when we discussed about that smart phone example in the previous session. We were discussing the possibility that Nintendo which is now a video game manufacturer, who also make hand held games and a possibility that they might like to come into the, they might add the phone feature to their mobile play stations. And as a result, competition to Nokia or Apple, a new type of competition will arise across boundaries meaning; the gaming industry, electronic games are not exactly certain types of electronic games are already quite popular like angry birds and so on, which are meant for your mobile phone. But there are many other games which are far more sophisticated, and needs larger screens, for that experience use different kind of sensing devices, so that the screen will depict if you are throwing a cricket ball.

Now such things are not available on phones today, but some of these gaming companies may want to come into the phone market with these new kinds of offerings, leveraging, new tam technologies for display or new technologies emerging in the sensing and

actuating market and so on. So, the point here is therefore, when we look at this segmentation, now it is a little bit more complex in today's network world, because competition may come across boundaries. Also, very important to note that many times today as a famous article that appeared in McKenzie quarter; he said that the marketing game or the strategy game is spider versus spider, meaning that it is not a game between company A and company B, but between alliance A and alliance B.

So, alliance A is a network and alliance B is another network. So, we have today for example, one network which is around iPhone. So, there are developers, game developers, different business application developers, different app entertainment application developers, all working on the iPhone platform. And we have another network working on the android platform developing games business applications, educational applications, personal productivity applications. And so it is not only a marketing strategic tussle between Apple and H T C, but it is also between the alliance on than android platform versus that aligns on the iPhone platform the I o s. And what does it mean?

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TWO GENERIC VALUE TYPES

- **Value Chain:** Businesses are made up of discrete collections of individual and organizational activities that work together to create and deliver customer benefits via products and services. These integrated services describe a value chain.
- **Value System:** A value system is an interconnection of processes and activities within and among firms that creates benefits.

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In terms of our further understanding required for marketing strategy formulation. Concepts introduced earlier need to revisit, one is the value system. The value system is actually the different processes activities coming together to create the android offering. And the value chain is within H T C or within Nokia or within Apple iPhone as be you,

the different activities that will be looking at inputs going to the output. Output is what you are offering to the market inputs are your different inputs coming from your vendors from your alliance chain partners. And in between is the your process block, we are, you are looking at right from material sourcing to the final product packaging and delivery to the retail shelves this whole thing. So, this is the value chain.

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I-PHONE EXAMPLE

- ***New-to-the-World Value: Reconfigured existing value chains***
- ***5 generic ways:***
 - Customize offerings
 - Radically extend reach and access
 - Build community
 - Enable collaboration
 - Introduce new-to-the-world functionality or experience

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The value chain as well as the value system is important considerations for developing marketing strategy. So, taking the iPhone example, which created a unique bundle of values created a phenomenally winning combination. To create such winning combination understanding from them, we can look at identify this 5 generic ways; one is the customization of the offering. In this case, elimination of the keyboard in the iPhone creating keyboard on the touch screen itself, radically expanding the reach and the access many new categories of users came up around the iPhone, primarily people who were interested in mobile games or mobile entertainment as opposed to mobile communication. Once this new category of usage emerged for iPhone mobile entertainment, they built a community around it. community of supplier's contributors.

So, the success of iPhone is possibly more due to the community created through iTunes from where you can actually get a lecture on marketing as well as you can get very exotic music, Japanese flutes or you can get popular rock music or you can get video clips from You tube. So, a whole community got built up using the potential offered by

that platform, it created collaboration across these communities. And finally, created what we can call it new to the world experience. See if you talk to people who buy iPhone, as reported on number of social networks, people talk more about the experience rather than the product feature. So, you see here, that a market segment can almost be created out of by combining older segments and creating new value and you can therefore, expand the segment. So, how do we pursue? How do we create new marketing phenomena?

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Such fantastic strategic achievements, is it just by hit-and-run? Is it an accident? Or can there be a design systematic approach to it. So, this diagram that you see on your screen is an approach, that is not prescriptive, but a very good guidance to do this. It starts with uncovering identifying unmet needs, underserved needs. Identifying the specific customer that you want to pursue advantages that you want to offer and some of the qualifying steps like is the market ready for such a product are such a product service bundle. And of course, then we have to estimate the numbers. Now, how do we uncover discover? Find those unmet underserved or un served needs of the customer.

I will again use the iPhone example. Now here I mean they had a phone, many companies had a phone at that time when Apple came into this 5 or 6 years back. They where major players like world dominant players like Nokia or Motorola or Sony Ericsson. Now, as a post to Nokia or Motorola Sony Ericsson, because of the previous

success of Sony with walkman, if you look back, you will find that even before Apple came up with the iPhone. They had Sony Ericsson headphones which had walkman features. Now, at that stage, this is how? This is a very important set of guidance tools that you follow the customer. And what these people did at Apple is to look at customers process forgetting music.

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HOW DO WE IDENTIFY UNMET AND/OR UNDERSERVED NEEDS?

➤ **The following questions will help structure the process:**

- What are the steps that the typical customer goes through?
- Who gets involved and what role does he or she play?
- Where does the process take place?
- How much time does the overall process take? How much time is associated with individual steps? Does the customer move through the entire process at once or does he or she take breaks?

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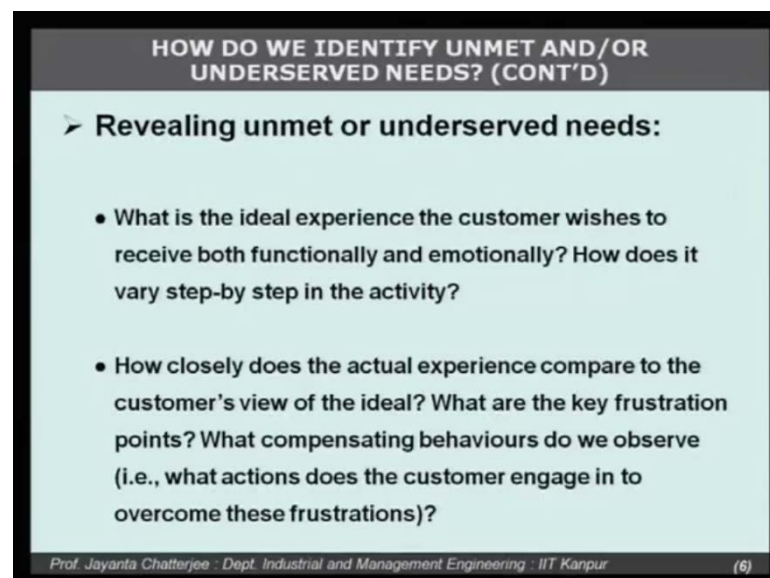
I will now focus on music later on it has been the iTunes service has been expanded to include many other types of content, but let us focus on music. So, they found that the, they followed the process, and they understood that the customers had to go to a place to buy a cassette or a CD. If you bought a CD, maybe there were 4 songs or 4 pieces of instrumental compositions on that CD, out of 12 which you really liked. So, they understood that customer will be quite interested if they had an opportunity to pick and choose. So, maybe you have 5 CD's from which you like 2 from 1, 4 in from other, and you want to create your own combination, the trend was actually observed earlier, when there were services like Napster, where people exchanged music which later on was closed down, but these trends they observed.

So, they took this pain that the customer had or the sort of a time, and cost the customer in cart in going to a place to a music store. They also observed that when people go to music store to buy certain a particular CD, they also look at other. So, they understood that there is a browsing component which is attractive to the buyer. So, buyers were

interested to buy single songs or single instrumental composition, buyers were interested to browse, buyers were interested to create their own playlist picking up one from here 2 from there, 4 from here and so on.

And combining great understanding, now it is not that this individual choice prominence that as merges today, it has been there when we had those long playing discs and so on, where you had 10 songs and you wanted 2. So, you are already in the order, players we had this facility of skip that you can switch from song number 1 to song number 5, they put it all together.

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HOW DO WE IDENTIFY UNMET AND/OR UNDERSERVED NEEDS? (CONT'D)

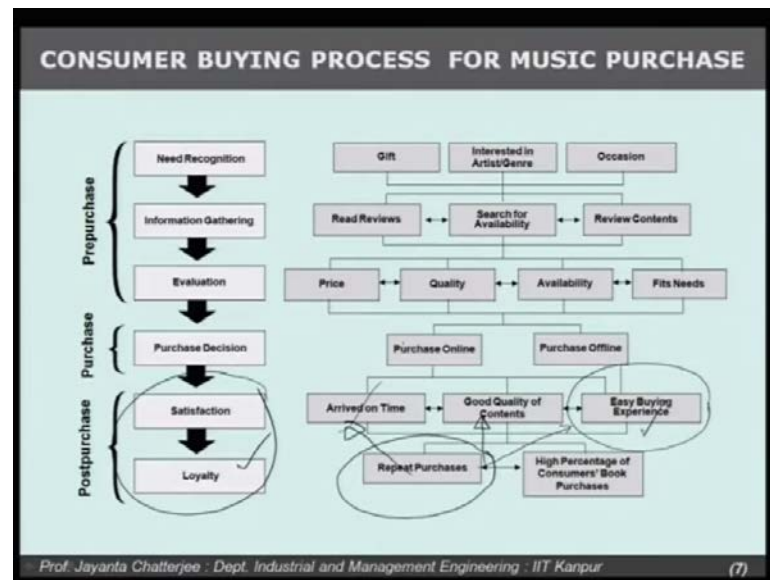
➤ **Revealing unmet or underserved needs:**

- What is the ideal experience the customer wishes to receive both functionally and emotionally? How does it vary step-by step in the activity?
- How closely does the actual experience compare to the customer's view of the ideal? What are the key frustration points? What compensating behaviours do we observe (i.e., what actions does the customer engage in to overcome these frustrations)?

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And created a unique composition that met the underserved or unmet needs they created a scenario of the ideal experience. And by that time technology was available to deliver a single song over the internet. You could browse through a large repository on the iTunes website and pick and choose and create your own playlist. So, they identified unmet underserved unserved needs leverage technology that was available, created a scenario of ideal customer experience. And made it possible for all of these to come together to eliminate the key frustration points or buying 12 songs, when you needed only 2 out of those. We observe the customers wanted to skip, to incorporate eliminate the need of buying 12, and skipping, and going from song number 1 to song number 5, allow the customer to compose his own playlist.

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So, now put together, this diagram which looks at the customer's buying process for music purchase looks at the pre-purchase process. The purchase processes itself, and the post purchase process. So, this is the kind of analysis, first you do an overall identification, get into qualitative analysis of questions, and ask this question of what are the steps who gets involved, where is the process taking place? All of this can be related to your marketing mix issues. What is the nature of the product bundle product service bundle what kind of price point? What purchase process? Where is the purchase? Place all of these can be then answered. And finally, put together in a diagram like this, it is important to create a visual like this, because it helps you to explain your marketing strategy to your other colleagues in operations, in finance.

This is a better way you need to do all these qualitative analysis, but finally, you should be able to compile a picture like this. It is also important here to note that these focus on the post purchase I would say many, the music vendors in the past somewhat ignored the post purchase scenario. In fact that is a flaw of marketing in general that we are still carrying on some of our old sales or production orientation. That we are happy once the product or service has been sold and we do not pay much attention to these issues like post purchase satisfaction, the buying experience. For example, the buying experience linking repeat purchase with buying experience, linking repeat purchase with a quality of content as perceived post purchase, linking repeat purchase with delivery performance.

This is another important aspect in marketing strategy that now dominates electronic marketing. Because in electronic marketing your strategies are far more susceptible to word of mouth than the social networks. So, if your performance with respect to on-time delivery is good, if you are buying process or ease of buying, because of you offer cash on delivery can make a young company like flip cart, very successful against entrenched competitors who have been in this electronic merchandising market for last 10 or 15 years, who had been using credit cards as the means of value transaction.

Now, with the cash on delivery mechanism and the good hassle-free experience, the newer generations of retailers, electronic retailers in India have created expanded markets. And this strategy, successful strategy is emerged from focusing on post purchase. Even at IIT Kanpur campus, we have been studying, and we can see that some of the electronic marketers are able to continuously enhance their customer loyalty. So even though many of the new companies have come up with offerings with respect to shoes or clothes, the companies who started with books and music are now able to expand. And leveraging their customers loyalty, because of this easy buying process hassle-free arrival on time etcetera. There now able to expand their portfolio from books, and music to luggage, and stationery, and jewellery and so on.

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IDENTIFY SPECIFIC CUSTOMERS

- **Behavioral:** Online & offline shopping behavior, web usage, website loyalty, prior purchases, etc.
- **Occasion:** Routine occasion, special occasion, time, location, event, trigger, etc.
- **Psychographic:** Lifestyle, personality, affinity, etc.
- **Benefits:** Convenience, economy, quality, ease of use, speed, information, selection, etc.

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So, this consumer buying process mapping it and combining that with the opportunity analysis answering these qualitative questions can lead you to a winning combination.

Some of the issues relating to consumer buying behaviour also need to be studied to take proper advantage of unidentified opportunity. So, the opportunity analysis combining those analytics into a winning package like the iPhone, iTune combination can be further enhanced, when we understand the behavioural aspect occasion the psychographic, and the benefits that the customers are looking for, and it can become far more compelling this consumer behaviour issues we will take up.

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IDENTIFY SPECIFIC CUSTOMERS

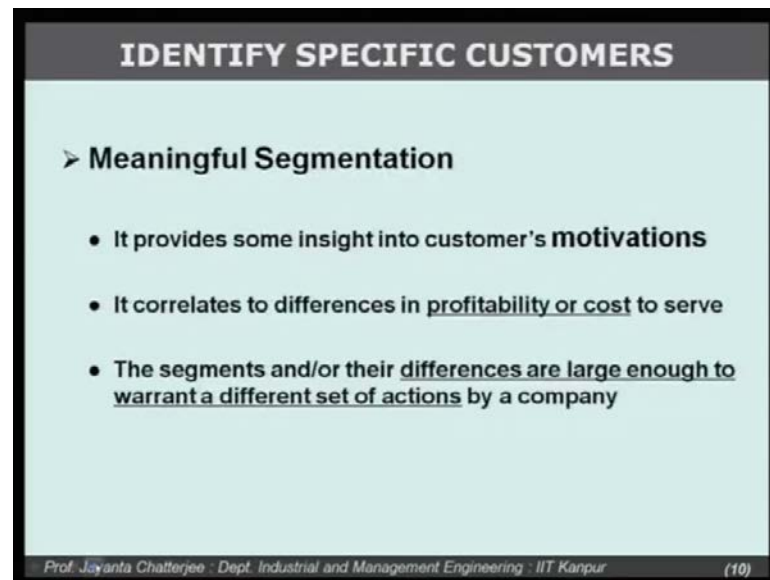
➤ **Actionable Segmentation:**

- The segments are **easy to identify**
- The segments **can be readily reached**
- The segments can be described in terms of their growth, size, profile, and attractiveness

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Also in greater depth later on, but we are now more on opportunity identification, and segmentation, and targeting, and positioning. And here, some of the other issues, additional issues that we need to look at are segments that are easy to identify segments, that can be reached this access points etcetera we have already discussed.

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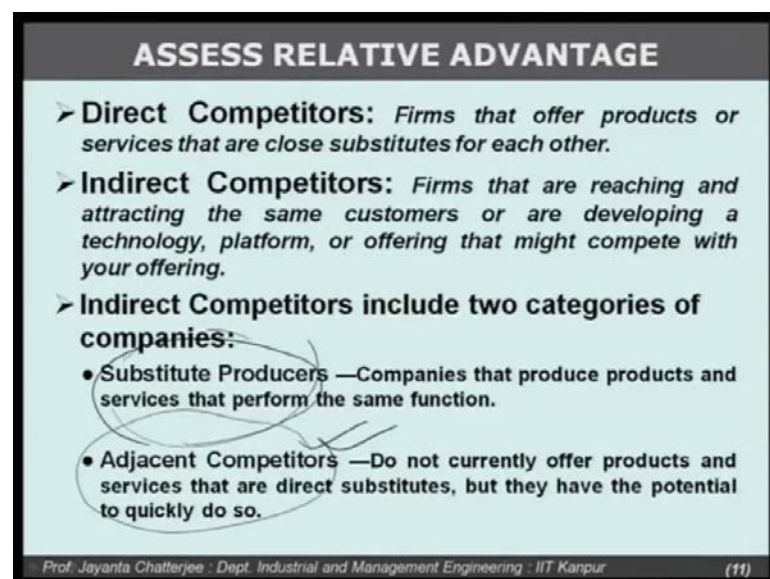
IDENTIFY SPECIFIC CUSTOMERS

- **Meaningful Segmentation**
 - It provides some insight into customer's **motivations**
 - It correlates to differences in profitability or cost to serve
 - The segments and/or their differences are large enough to warrant a different set of actions by a company

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Meaningfulness of the segmentation can be served B 1, more profitably than B 2. But of course, that cannot be the sole determinant of your resource allocation between B 1 and B 2, because B 2 may be costlier to surf today, but may have a much higher growth potential. So, it is costlier today to reach out into the rural market for your mobile phone offering. But definitely this is a market which is far lesser served than the metro market, so you need to.

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ASSESS RELATIVE ADVANTAGE

- **Direct Competitors:** *Firms that offer products or services that are close substitutes for each other.*
- **Indirect Competitors:** *Firms that are reaching and attracting the same customers or are developing a technology, platform, or offering that might compete with your offering.*
- **Indirect Competitors include two categories of companies:**
 - **Substitute Producers** —Companies that produce products and services that perform the same function.
 - **Adjacent Competitors** —Do not currently offer products and services that are direct substitutes, but they have the potential to quickly do so.

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The segmentation meaningfulness has to be seen in terms of also these relative issues like competitive intensity, whether there are indirect competitors as we were discussing in case of smart phone, the possibility of Nintendo coming into that market of HTC and so on. And if we take that example, then you know we are looking at an adjacent competitor. But when Apple came with iPhone and challenged Nokia or Motorola, they almost created the substitution product, because iPhone is more much more than a phone. Same thing has happened when solid state storage came in substituted the CD as a popular mode of storage. So, much so that today, you will find laptops which may not even have a CD or a DVD drive, because most of it is being done the content storage. And content transfer are all being done through those USB digital sticks there, now able to offer several gigabytes, terabytes in a very small size much more convenient, much more stable.

And as a result you are able to reduce the weight of the laptop or the notebook and on the whole. Therefore, it is now making rapid strides and has created huge problem challenge for companies like Moserbaer, who came into the market and grew very well when the optical media like floppy drive, DVD, CD were doing very well. Of course, they are also creating; they have created new opportunities in solar cell. And there also getting into newer research. For example, when DVD's one over in those days there were actually large discs. But the VCR's one against those disc video disc players, but the video disc came back it failed at that time against the VCR, but it came back with some further modification, and enhancement in the technology as VCD then to DVD. And now DVD is challenged by the digital solid state storage. So, you see here that competition can come from adjacent competitor substitute products, substitute producers. So, when we look at this segments, we have to each segment will have to be also evaluated with respect to these direct, and indirect competition besides looking at the opportunities.

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HOW DO WE IDENTIFY UNMET AND/OR UNDERSERVED NEEDS? (CONT'D)

➤ **Revealing unmet or underserved needs:**

- What is the ideal experience the customer wishes to receive both functionally and emotionally? How does it vary step-by step in the activity?
- How closely does the actual experience compare to the customer's view of the ideal? What are the key frustration points? What compensating behaviours do we observe (i.e., what actions does the customer engage in to overcome these frustrations)?

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That you have identified the questions that you have answered to create the compelling value, the calculation, the chain ratio method that we discussed in the previous session to estimate the market deciding on what actions you will take to each this segment.

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ASSESS RELATIVE ADVANTAGE (CONT'D)

➤ **Competitor Mapping to Selected Segments:** *To assess competitive intensity managers need to map out where current competitor companies are participating and determine their effectiveness in delivering benefits to the target customer.*

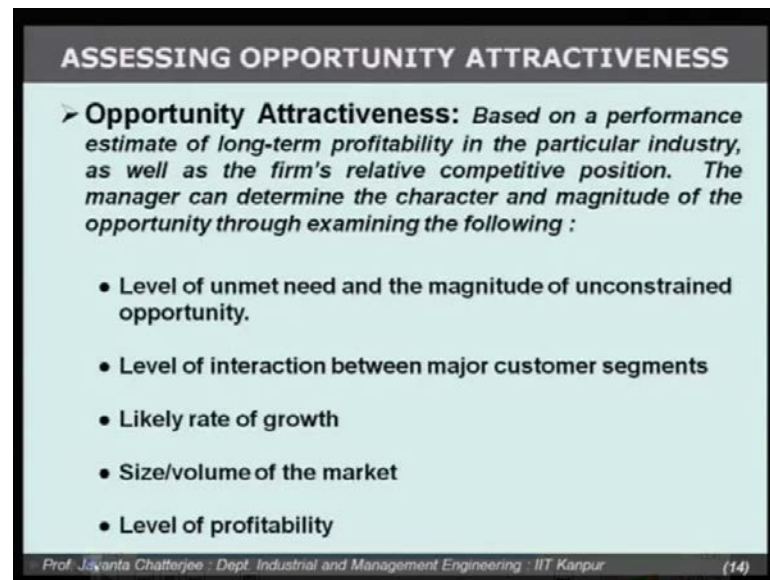
➤ **This analysis will help the company do the following:**

- Demarcate underserved areas in the market
- Identify the companies it will compete against
- Spot companies that could be potential collaborators

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But also, we have to look at this competition mapping. Now, this competition mapping, we have discussed in depth in the previous session, couple of sessions back, I bring you back to that discussion to discuss a specific case.

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ASSESSING OPPORTUNITY ATTRACTIVENESS

➤ **Opportunity Attractiveness:** *Based on a performance estimate of long-term profitability in the particular industry, as well as the firm's relative competitive position. The manager can determine the character and magnitude of the opportunity through examining the following :*

- Level of unmet need and the magnitude of unconstrained opportunity.
- Level of interaction between major customer segments
- Likely rate of growth
- Size/volume of the market
- Level of profitability

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So, this relates to one said segment opportunity has been identified, quantified characterized using the techniques that we have discussed. You can summarize that by using the bullet points in the in this slide in the next one. When you look at level of unmet need, and the magnitude of unconstrained opportunity, level of interaction between the major customer segments like we discussed, there may be certain interaction between the students segment and the gaming segment, and so on. The likely rate of growth of each segment, the size and the volume that for each segment using that chain ratio method and the other techniques that we discussed, and which can be due to also once, you have the sales revenue numbers. And you have your cost of goods sold; you can also develop the relative profitability of each segment.

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ASSESSING OPPORTUNITY ATTRACTIVENESS (CONT'D)

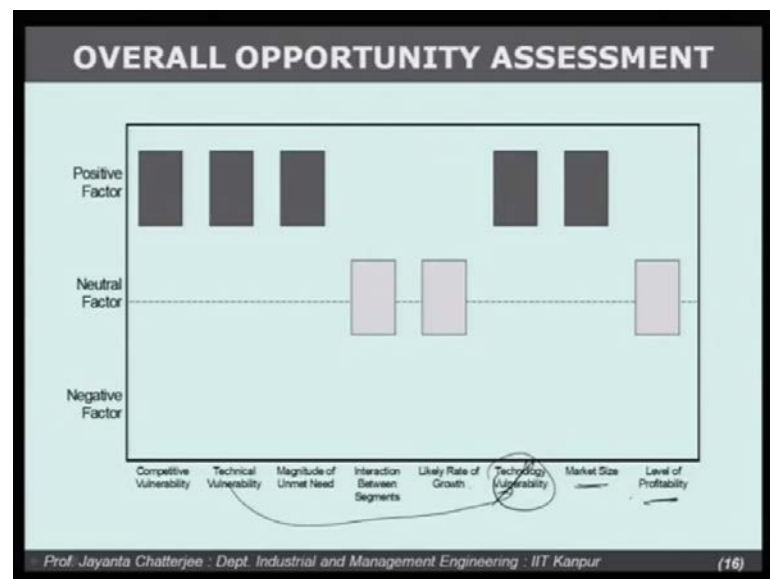
➤ **Customer and Market Dynamics: Five factors to consider:**

- **Unconstrained Opportunity**- Amount of white space that is still apparent in the market space.
- **Segment Interaction**- Level of reinforcing activity that generates more purchase and usage
- **Growth Rate**- The percentage of annual growth of the underlying customer market.
- **Market Size**- The dollar value of all the sales generated in a given market
- **Profitability**- The profit margin that can be realized in the market

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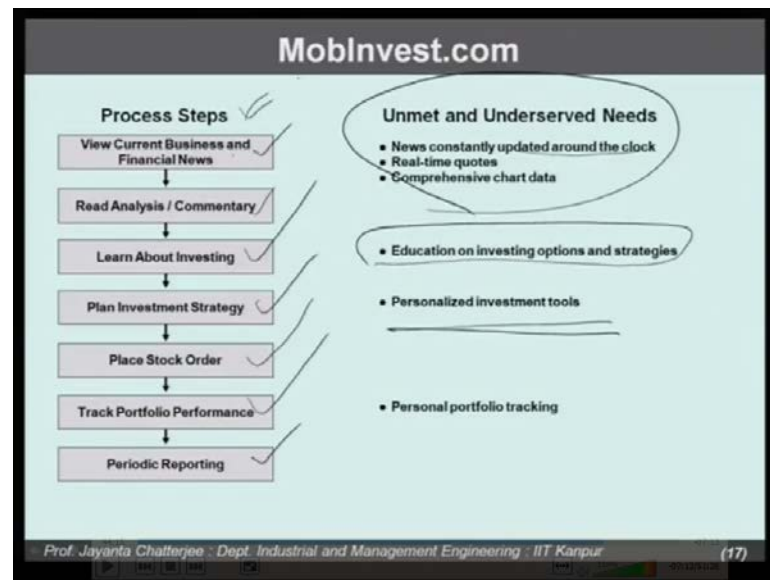
And you can also then summarize these.

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And apply to something like a diagram to compare the different alternatives. So, competitive vulnerability, technical vulnerability, magnitude of unmet need, interaction between segments, likely rate of growth, technical, well these two are actually almost same. So, maybe we can just take one of them. Market size level of profitability, and based on that you can position your analyze your each one of the opportunities the B 1 B 2 B 3. And we will apply this to a case now.

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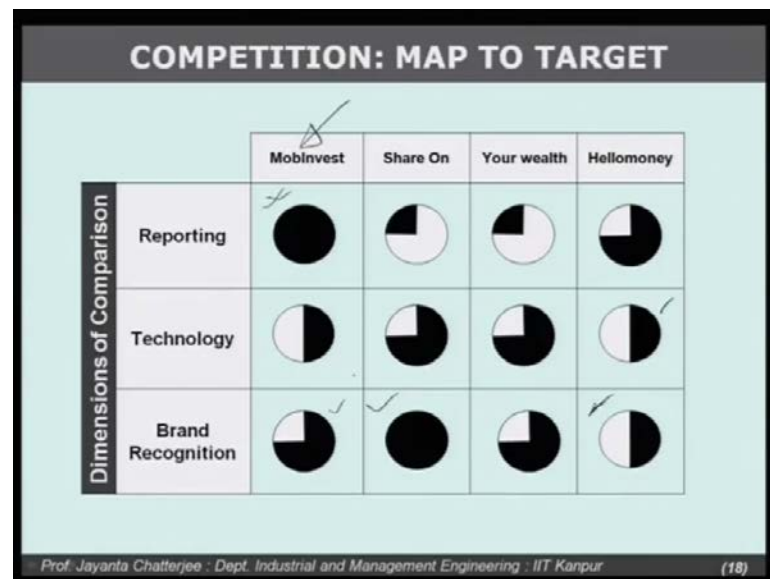
Sort of an imaginary case, we will try to achieve these steps, but let us look at. So, we are looking at a imaginary company called MobInvest.com, a business proposition provide investment related guidance, stock market investment related guidance. And capability to do buying and selling of stocks on your mobile phone, an imaginary I mean not unrealistic, it is to a large extent already available. But let us a company which has now come up with a total combination, and they have determined that these are the steps that a customer is interested in that view current business and financial news, read analysis and commentary from different stock market analysts, financial services if necessary learn about certain type of investing.

Suppose, you want to invest in derivatives then to learn about derivatives as oppose to current stocks then plan investment strategy place order track your investment portfolio and of course, periodic reporting. Now, this company has identified that these are the unmet and underserved needs that today a daily update is available from some services. But there is no service available which is round the clock giving update from the Indian market from the US market, from the Australian market, from the Japanese market.

So, there are many investments which are quite sensitive to global developments. So, a mobile based reporting which gives round the clock information real time courts and comprehensive charts. These are identified as unmet and underserved. Maybe they have found that there is inadequate information available for education and investment

opportunity. Personalized investment tools a senior citizen 65 years old once now look at the stock market as oppose to bank fixed deposit, quite worried about risks involved. But still interested and MobInvest is looking at this market segment, and have analyzed that these are the unmet and underserved needs. These are the process that this segment of customer is interested to follow based on this.

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They can also do an analysis of comparison that how they stack against that this is our company. And these are again imaginary players in this market called share on your wealth. And Hello Money and from the previous application, previous analysis here we see there are seven process steps that usually a customer follows. In this domain in it is entirety of availing this service. You can now combine them under three major heads reporting the quality of reporting the depth of reporting the frequency of reporting technology of delivery, technology in terms of user interface, technology in terms push versus pull, that means coming to your phone automatically or you are search and find.

So, that is what we call push technology versus pull technology and brand recognition. Now, you do a quick analysis against your offering against your competitors. These kind of simple charts are very useful to come up with a final. So, we do not, we cannot arrive at this, without starting from here, we have to go through the whole process of developing the entire chart of the consumer buying process for the product or of the service. We have to understand the customer in more depth, understand the segments in

more depth, understand the competition in more depth, understand the competitor map, match with the companies resources.

And then come up with, apply that to your case, develop the key buying steps the processes involved in the customers acquisition and consumption process. And finally, come up with a chart like this which tells you that what are the strengths that you are going to deploy? So, as you see in this case Mob Invest, the hypothetical case that we are discussing has decided that it is going to focus its marketing resources and technological, and financial resources on the quality of reporting, the quality of guidance, because it has chosen senior citizens, new investors pensioners, and retired individuals as their market, major market segment to start with. And they have understood that the quality of advisory service and reporting service will be a winning strategy in this market. So, technologically they want to be strong in that respect, they want to be as strong as the other strong player here. And they know that this company has higher brand recognition. This company is winner in terms of brand recognition, but they would like to invest their resources to start with in this the reporting, and the content quality rather than on brand promotion.

And this is how you actually do your analysis? Start with this kind of diagram, with a detail analysis of and then answer the questions, understand the segments, assess opportunity effectiveness, assess the competitive position and develop your final value package with which you are going to battle. So, this concludes our discussion on opportunity analysis and developing marketing strategy in detail to avail an identified opportunity, at the same time to keep it in the perspective of the other opportunities. So, that resource allocation can be done across three identified opportunities that you would like to pursue. So, you will have one set of actions to be followed for B 1, another set for B 2 and B 3, and still retain some of the options that you might like to pursue later, in terms of B 4 or B 5. So, fundamentally what we have discussed in this segment is; where are we today? Where do we want to be? Why and how?

Thank you.