Indian Institute of Technology Kanpur
National Programme on Technology Enhanced Learning (NPTEL)
Course Title
Marketing Management – 1

Lecture: W7- L3
Generic Modeling Strategy

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Prof. Jayanta Chatterjee: Hello, welcome to our next session on marketing management part 1.

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Prof. Jayanta Chatterjee: As you would recall we are discussing this week a very important part of the marketing execution, a very important part of marketing strategy implementation which is basically a acronym STP or in an expanded from that is segmentation, targeting, and positioning. Segmentation and targeting will be our theme for the next few lectures. I would like to place this in the overall context of marketing road map.

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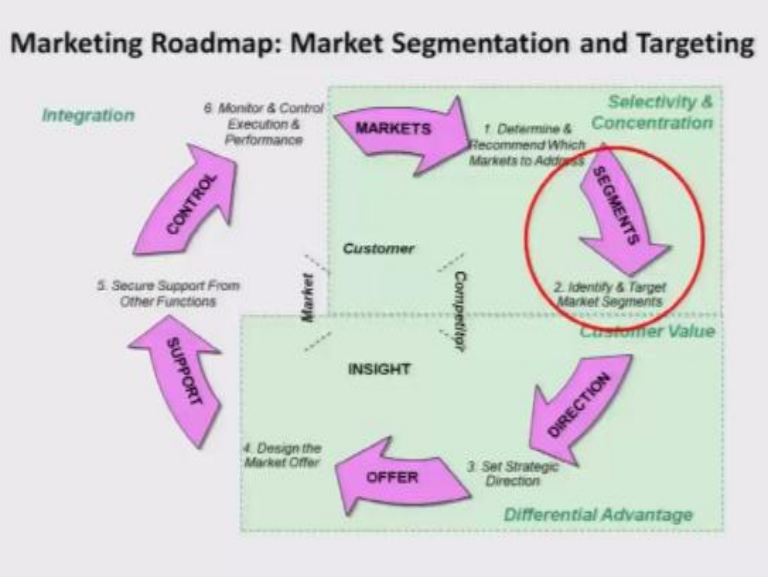

Prof. Jayanta Chatterjee: This is a very important diagram because this will show you what we have done so far and what we are going to do this week, next week and going forward in managing marketing part 2 and 3. So as you see here.

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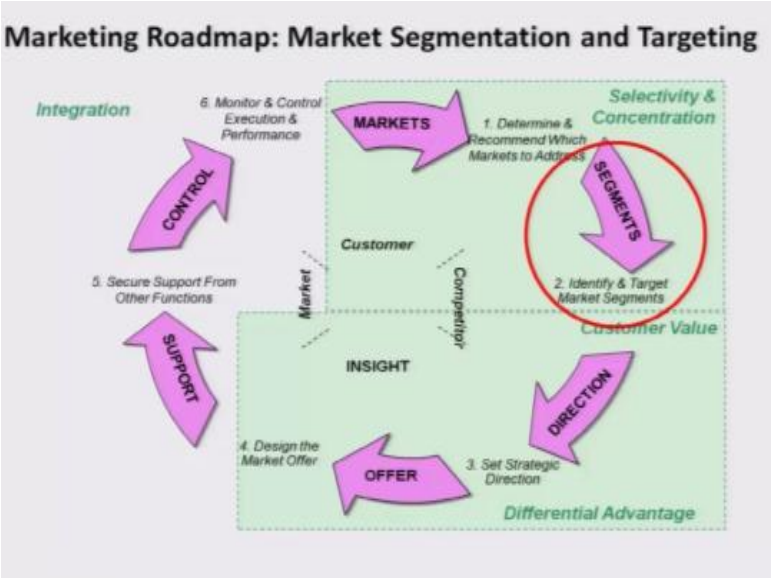

Prof. Jayanta Chatterjee: We have this is what we have discussed in the first few weeks about what are markets, what is this action of marketing, how do we know about the market, how do we know about the consumer, these are the topics that we have covered so far. Now once we know consumers, we have understood that consumers are human beings; consumers are each consumer is unique in a way.

So ideally speaking we should have marketing strategies for all individuals so we should be able to market a particular product to gainfully respond to the need of one particular costumer but in products which are sold in millions and to a very large number of people across large of number of countries which is true for many package consumer goods like toothpaste or soap, salt various kinds of food products beverages.

There to cater to one individual is a tall order even though we are approaching because of rapid development of technology to that ideal state of market of one or what we also call sometimes one to one marketing that means one producer one consumer and direct relationship between the two and symmetry of knowledge between the two entities. That we will address a little later how

that is happening today, right now we have to understand that because we for optimization for proper allocation of resources since targeting one customer is too expensive.

We look for a group of homogenous customers or rather costumers with homogenous need profile so that we can then call them as segments and then we can identify market segments and create offerings, so our sequence therefore goes like this that we understand markets, we understand customers, we then determine and recommend which markets we want to address and step 1 maybe we will address several segments over span of time, maybe we will address several types of requirements over a span of time but initially we have to start somewhere.

So there actually therefore this selectivity and concentration becomes very important you know because you cannot do everything for everybody at a time when you are starting so you look for therefore the first few steps and that is what first few segments with the first few sets of offering to satisfy those segments. So that is identification and targeting of market segments and then we set the strategic direction that how we can create the best possible packaging, best possible package of solutions for satisfying that particular customer segment or the set of customer segments.

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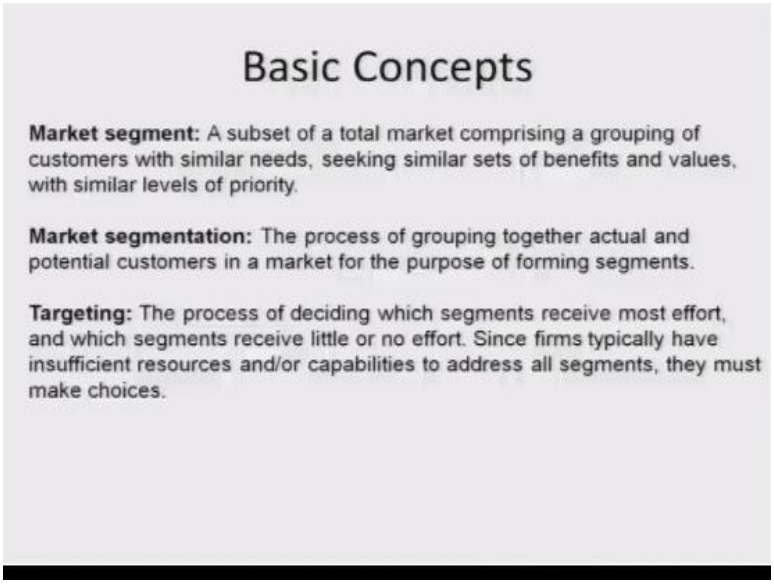

Prof. Jayanta Chatterjee: One after the other, so costumer segment or market segment it is kind of a synonymous, indicates a subset of the total market comprising of grouping of customers with similar needs very important seeking similar benefits very important and values, with similar levels of priority. So as you can understand therefore that if there is this whole universe of costumers we are looking at this one sub universe which is determined by the homogeneity of the type of requirement, priority of requirement and need profile.

So if a market segment therefore is differentiated with respect to all other segments because this segment becomes a segment because it has a particular need profile different from other need profiles, but within the segment all customers can be treated about the same even though we know that even within the segment each customer will be different but for the purpose of strategizing in an optimal manner.

We assume that this particular group can be treated as at group having homogenous need profile, so this act of understanding and grouping is the concept of market segmentation, the process of grouping together.

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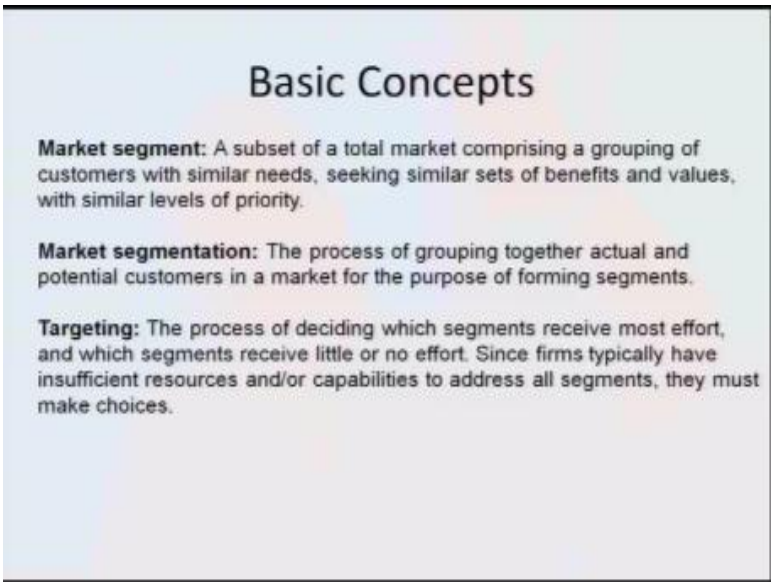

Prof. Jayanta Chatterjee: Actual and potential customers is the is a word, that is the market segmentation and then comes targeting which is the process of deciding that what are the different attributes and features and properties that can be packaged together to address a particular segment, the process of deciding which segment will receive what kind of effort, what kind of resource allocation for marketing and because resources are not infinite this act of prioritization is that the code of the action that we usually called target. So two very important concepts segmentations and segment, and targeting.

That is what we have discussed in this slide, this segmentation is becoming now more and more important, segmentation is now done with lot of data and analytics so the yesteryears crude segmentation with guess work with scanty data base and basically looking at few lot segments is now giving way to very precisely determined many small segments. We even use the words sometimes micro segmentation so the more accurately you can define a particular segment identify all its properties needs.

Then you will be able to do a lot more sophisticated analysis with respect to product features with respective service features and we will be able to do the match making between our capabilities and customer needs much more effectively. So segmentation in industrial market or B2B market and B2C market or marketing in case of non profit or non government organizations, marketing in case of government to citizen services are different profiles within this overall study of segment segmentation and targeting.

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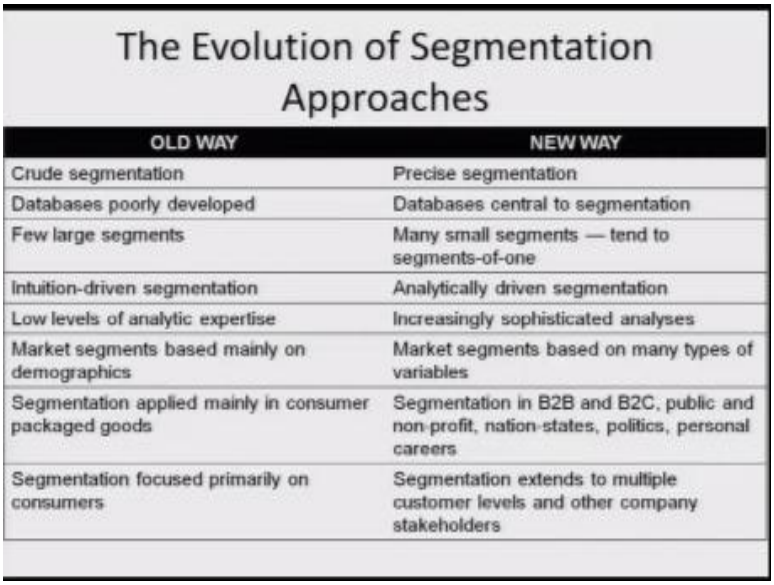

Prof. Jayanta Chatterjee: So segmentation earlier focused only on consumers and as I discussed in the early part of this week the our study on consumer behavior in many ways laid the foundation of this segment and segmentation activities but today we not only look at a sort of a, at a top level view of the segment we now understand that segmentation can extend to multiple customer levels and in case of business the segmentation strategy should look at number of different stake holders who are involved. I think these abstract concepts can be very easily understood if we take up some examples. I take for example this pain balms.

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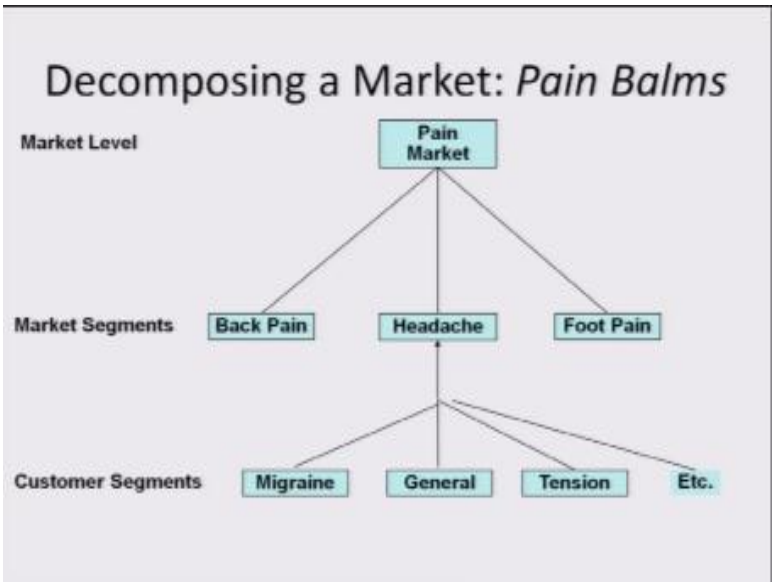

Prof. Jayanta Chatterjee: We are familiar with it so we know the, the product is targeted to relieve pain, obviously we immediately look at the pain market in terms of different types of pains, back pain, headache, foot pain and so on and then you can see that the headache which is one kind of pain market can be further sub divided into migraine which is a chronic condition or general or casual headache or headache due to tension etcetera.

So obviously the pain reliever products can target themselves, you can see easily therefore move a product which is sort of focused on back pain will try to position themselves in all their communication as a best possible solution for back pain so instead of trying to position themselves for all possibilities of pain.

And trying to say that this is the one product which will solve all problems, they deliberately chosen to position themselves as a back pain expert, this is one way of using targeting, of course you can have like the approach taken by Tiger Balm another famous international brand of pain balm. So they have brown color, they have white color.

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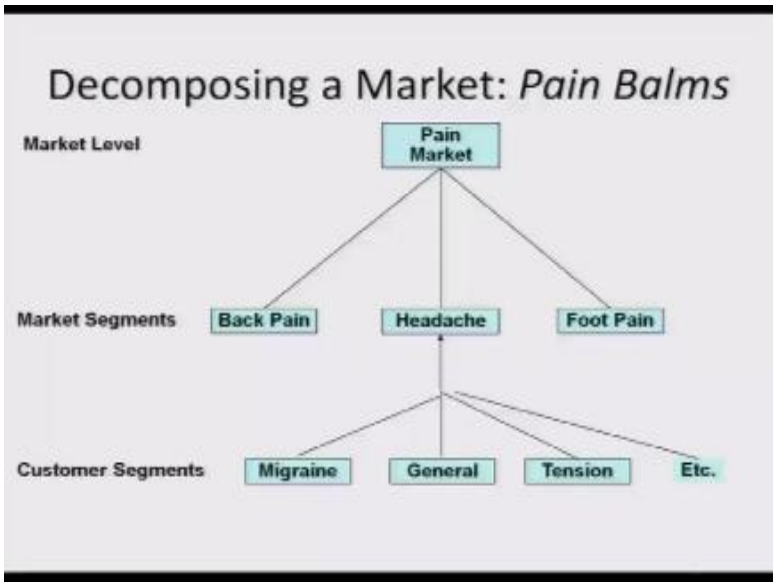

Prof. Jayanta Chatterjee: And they say okay, this is good for muscle pain, this is good for headache and so on. So you can have a family of products, you can have a family of products addressing a whole lot of different requirements within the overall market segment, addressing micro segments as we discussed about Tiger Balm, or you can take the approach of Moov and create a product which is a dominant product for one particular segment which may be a very large requirement because back pain may be back pain and headaches are most occurring pain situations. So these are the two possible product segmentation, market segmentation and product positioning examples. Or for example you can have coffee.

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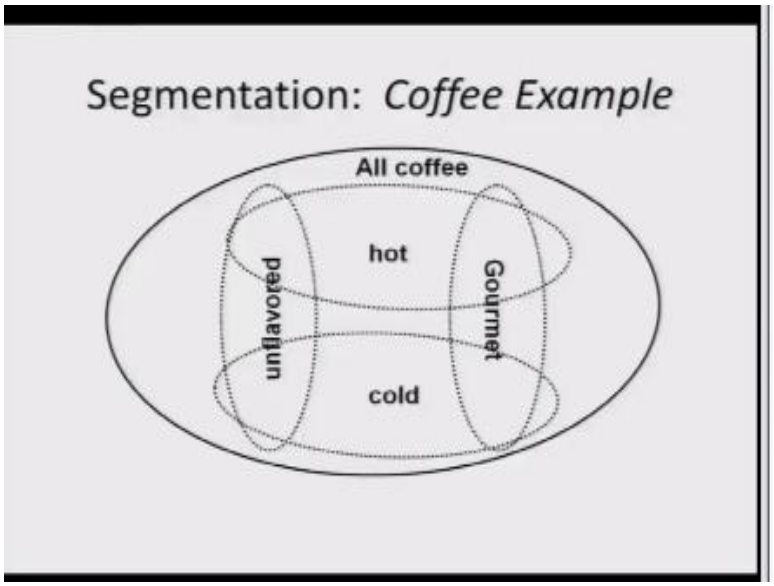

Prof. Jayanta Chatterjee: You can have hot coffee, cold coffee, you can have unflavored coffee focusing only on the raw coffee appeal or you can have different kinds of gourmet coffees where a coffee will be mixed with hazelnut and etcetera. Now you can see here that these segments are definable they may have overlaps, they may not have overlaps. So these can be different blocks or they can have, in many food and beverage products there are these kinds of overlaps.

So you can create an appeal for gourmet coffee served hot, gourmet coffee served cold, strong coffee served as a concoction served hot like the coffee espresso and so on. Another kind of segmentation we are going a little broader and deeper can be looked at in the shoes, a shoe or car or bike market.

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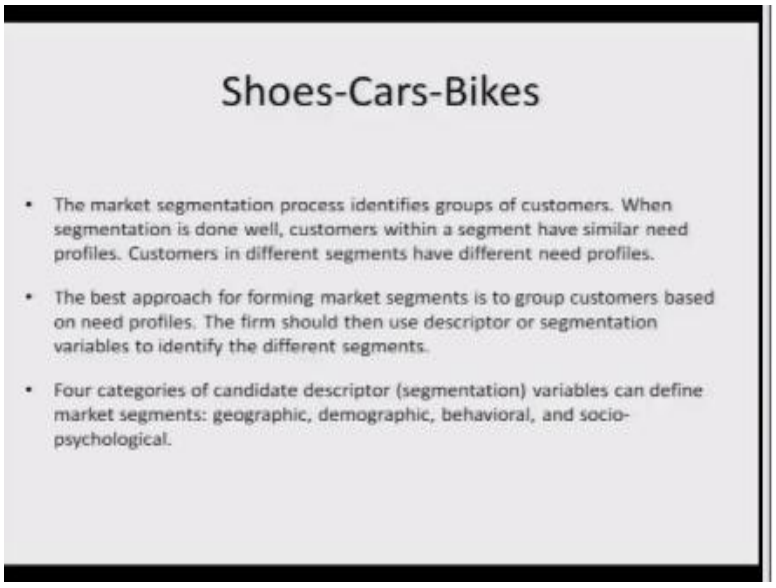

Prof. Jayanta Chatterjee: Where the market segmentation process identifies groups of customers. So when segmentation is done well then people will have similar profile within that group and different groups will have different need profiles. So obviously best way to segment market is to focus on need profile and then create descript of for that segmentation which helps us to identify the different segments.

And the two approaches can be blended and we can have four categories of descriptors or segmenters.

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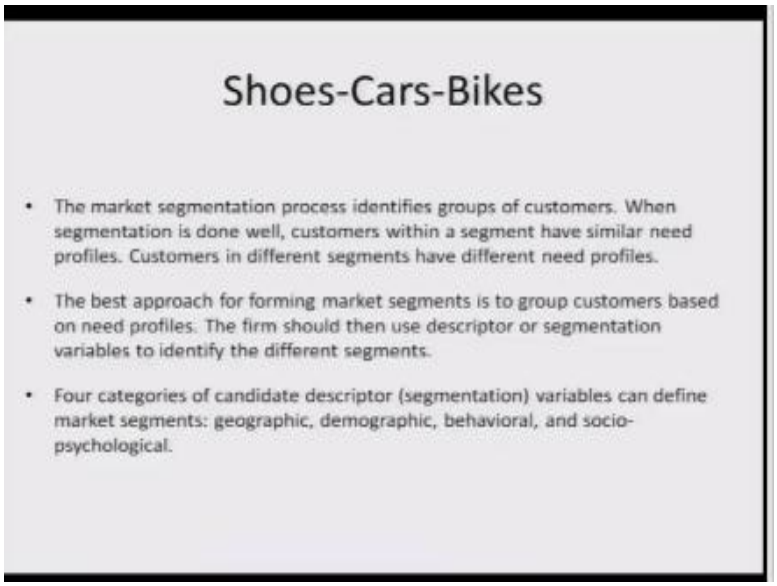

Prof. Jayanta Chatterjee: They can be geographic, they can be demographic, behavioral and socio-psychological.

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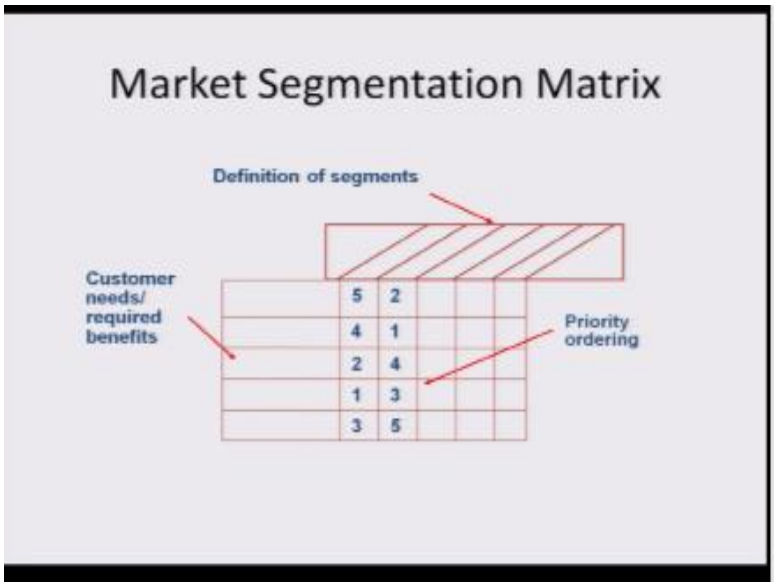

Prof. Jayanta Chatterjee: So let us look at a market segmentation matrix. So as you can see here we have customer needs or required benefits and then we have the definition of segments. So this could be in case of cars or in case of shoes this can be like different customer needs which can be price, which can be style, which can be material, which can be occasion and based on that we can also look at segments like young people or a senior citizens or office goers or sports people and so on.

And thereby we can understand, this these blocks define by customer needs which is a customer need of decorative shoe or fashionable shoe for partying for office executives, right? So we are trying to create a match between this need of a party shoe with a group of customers who are young professionals. So this is the combination approach that can be further understood, say for example this is a type of segmentation.

That can be applied to many of the personal care products moisturizers, face creams, sunscreen lotions or any of these. So as you can see here we have different customer needs beauty, confidence, price, health, X, Y, Z, M, N, O, P and on this side we have people in different age

groups, and then looking at the property of the product that we have and our competence with respect to distribution with respect to current brand recognition etcetera you can decide to play in one of these segments or several of these segments, or we can also look at segmentation using a combination of these columns which indicate customer age groups and horizontals which are product features.

So you can have therefore a beauty cream with different variance for different age groups or sometimes you can take for example an approach taken by Olay and there is one product that will address seven different skin aging needs, and it can be used by multiple age groups or you can say I have this one serum which is meant for women and which is meant for women who have dry skin and women who have flaking skin and make it a very specialized product so you can therefore capture several segments, focus on one high potential segment where you can extract good value.

And in many cases, we may actually balance this customer needs that is that comes first and this candidate descriptor that means the segmentation variable which, as I as we discussed can be age, can be geographic and so on, and balancing these two we can create a segmentation actionable segmentation. So I will try to therefore conclude today's discussion with this extensive I think this one and the next chart. So you see here variable type on the y-axis we have geography, demography.

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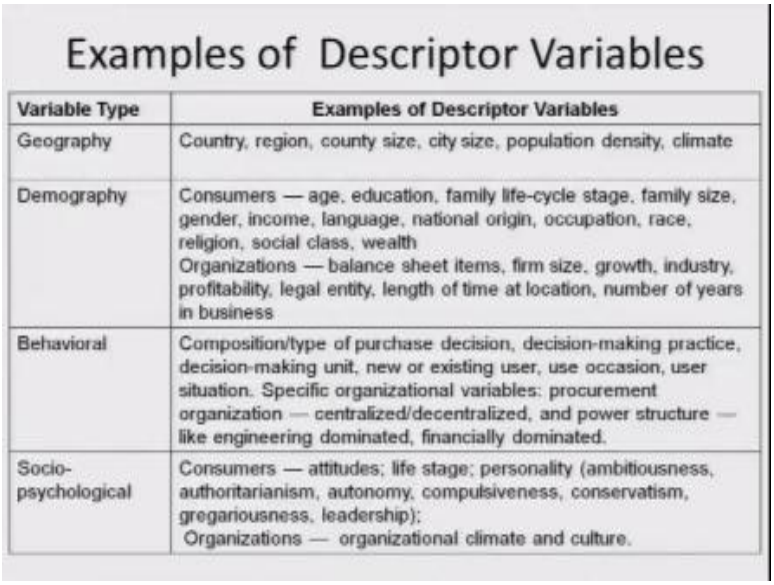

Prof. Jayanta Chatterjee: Behavioral and socio psychological, so geography variables are country, region, city, population density, climate etcetera. Demography will be age, education, family life cycle stage, family size, gender, income, language, so as you can see this is the most often used class, wealth these are all therefore descriptors for customer segmentation. In case of B2B or industrial or organizational or institutional marketing we can separate them by size, balance sheet size the growth rate, the industry profitability etcetera. In case of behavioral, we can in case of consumer products we look at the type of purchase decision whether it is high involvement, low involvement, whether it is a staple product purchase decision or it is a shopping product purchase decision or it is a specialty product purchase decision.

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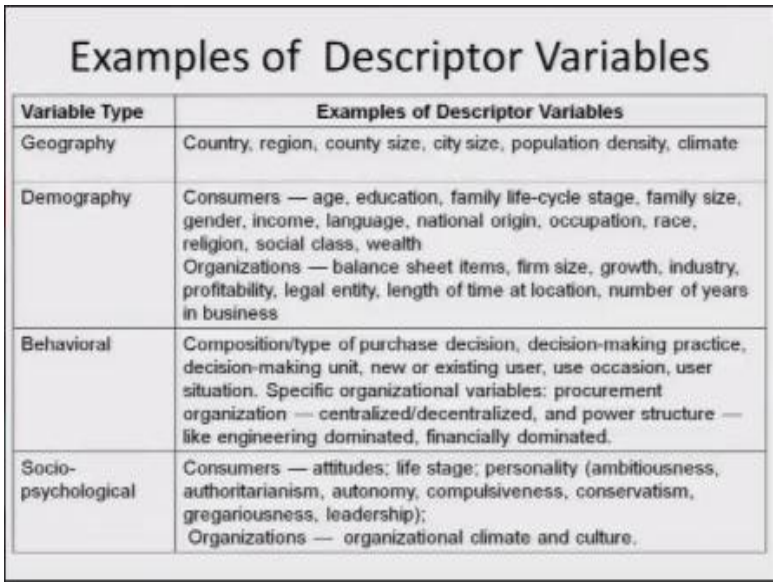

Prof. Jayanta Chatterjee: We have to see how people are involved in the decision making whether it is a refrigerator which the whole family may be involved or car where the whole family may be involved, whether it is a new user or an existing user.

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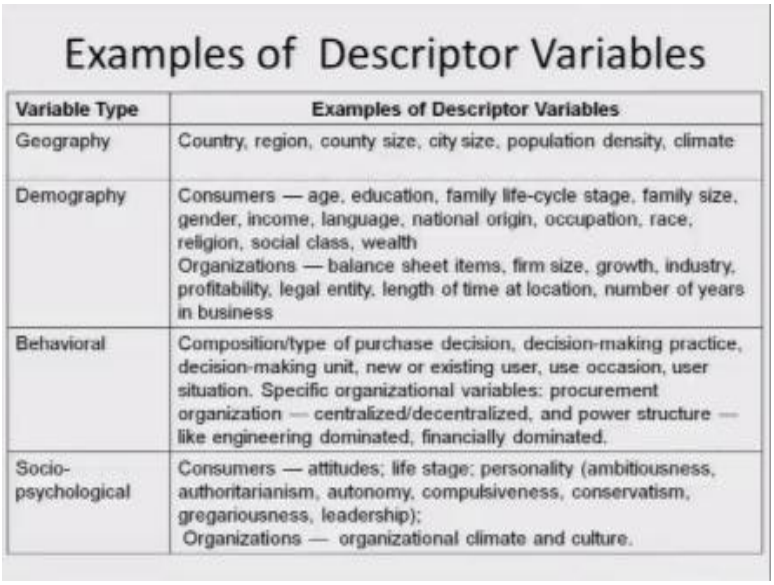

Prof. Jayanta Chatterjee: So these are different ways we have to, we can understand the nuances of the behavioral aspects, a lot of these actually we have discussed in our earlier session, I think week 5, 6. In case of B2B or industrial we can understand that whether they are purchase process is centralized or decentralized the power structure within that organization, whether it is financed dominated or engineering dominated and so on, and then we have socio psychological descriptors or variables.

In case of consumers they are like attitudes, life stage you know like your post retirement or you are just starting in your work and so on, then you will also look at personalities.

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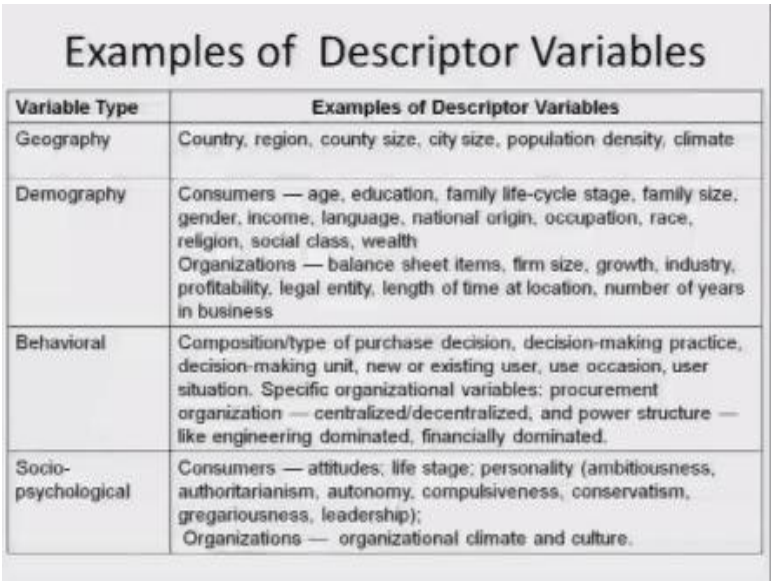

Prof. Jayanta Chatterjee: Where we can look at like you know their sense of autonomy, compulsiveness, conservatism these are types of descriptors when we come to socio psychological. In case of organizations the equivalence will be organizational climate, culture and so on.

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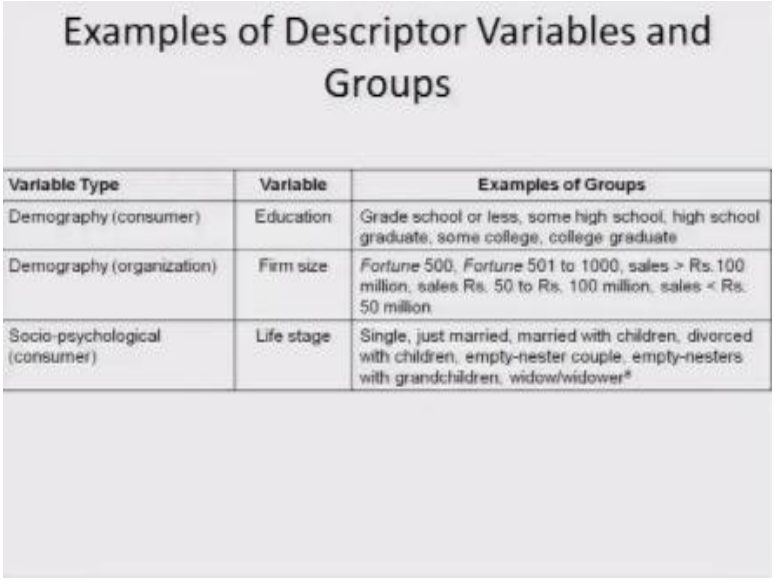

Prof. Jayanta Chatterjee: And in demography, we often actually for certain types of products we may go even deeper, here I have taken an example of education or in case of organization in demography we can go a little deeper and say okay, this is fortune 500 or business standard 1000 or economic times 200 and so on, and the sales can be greater than rupees 100 million or 50 to 100 million theses are different ways therefore

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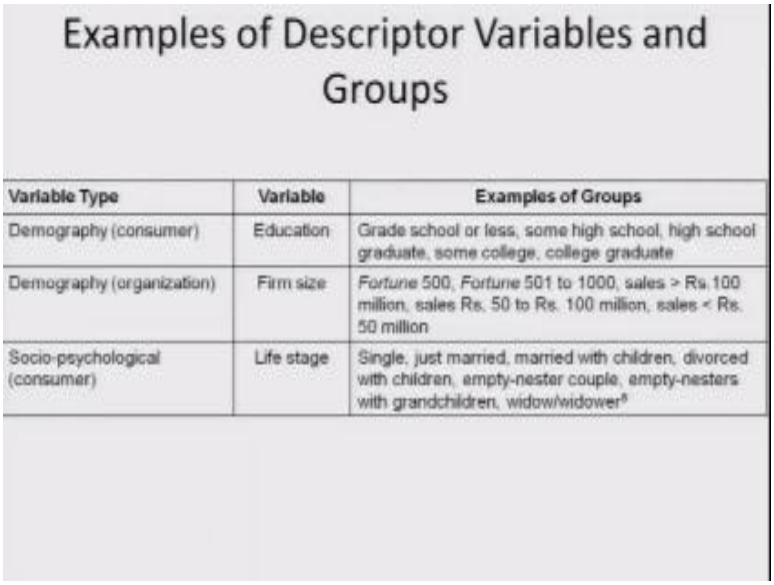

Prof. Jayanta Chatterjee: We are going deeper in to so having choose into a particular type of industry this is a way we can segregate further with respect to segmentation because their buying behavior will be different, so you see the key of segmentation is trying to club together a group of entities be they persons or organizations whose buying behavior, purchase behavior will be similar, almost same.

And that is a key to the whole issue of segmentation based marketing strategy. So this is a last slide for the day, as you can see here this kind of explains the whole process step by step so we start here, do you understand customer needs, if no obviously we have to do more research. If you understand a particular group of customer and their needs in depth then our customer perception of relative of importance understood, that means what are the different types of product features.

Going back to this slide say beauty confidence price health XYZ which of those are most important, second most important and so on. If we know that then we go to the next stage then our, their differences among customer in terms of importance of need, so within that segment or

there is a group A for them price is very important, there is a group B for them the concept of beauty or elegance or skin problems is most important and so on.

So are do we know that or we can create those sub segments, if answer is no then we go back to market research, if the answer is yes then we go to the next one which is are there significant differences among these sub groups, if it is yes, if it is no then

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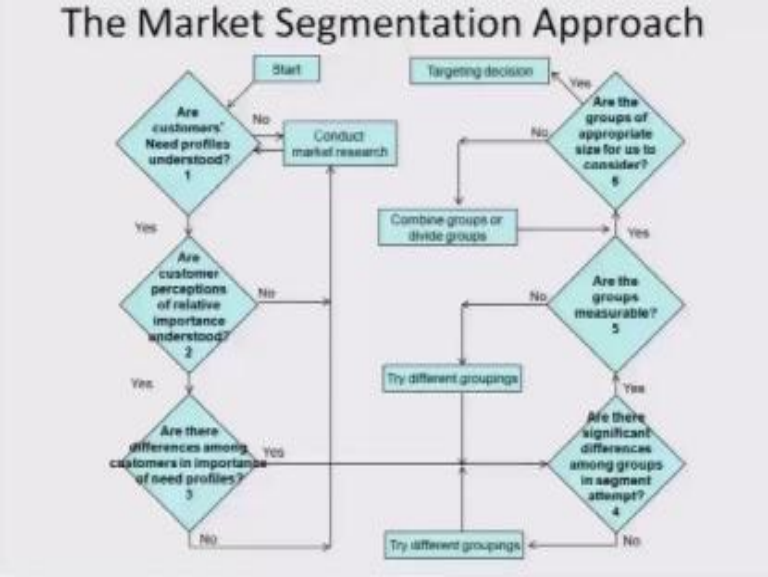

Prof Jayanta Chatterjee: Actually try a different type of grouping so you see the point is within the group homogeneity and across groups differentiability these are two very important points to determine the nature of the segment so once we know that yes this can be differentiated then we say okay do we know these differentiated well structured group, how big is this group, how fast is this group demand expanding so that what, is this group measurable?

And then we come to the decision whether this is a true segment in terms of addressability, this is a true segment in terms of availability to us, this a true segment in terms of size, this is a true segment in terms of growth rate, this is a true segment in terms of matching with respect to our product, attributes, and features and so on. So this diagram I would request you to study in depth and this is not an assignment but this is a voluntary assignment that you can take a particular

product and you can, or a particular service and you can try to do this process of segmentation and identify at the end a particular targeting decision.

If you do this you can also present it in the forum and if necessary you can also send it to us directly for comments, but ideally it I would request those of you who are enthusiastically participating in the different forum discussions and regularly posting inputs come up and come do this exercise and put it up and compare with each other's output. And that will be a very good self learning lesson.

I will take up in the next in the next lesson I will take up the some other examples and to make this point clear, but in the mean time I will also look forward to your own inputs and after we complete this tomorrows set of examples we will like to address a, some small cases or I would say caselets to further consolidate our understanding of this very important part of marketing strategy which is segmentation and targeting, thank you.

Acknowledgement
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