

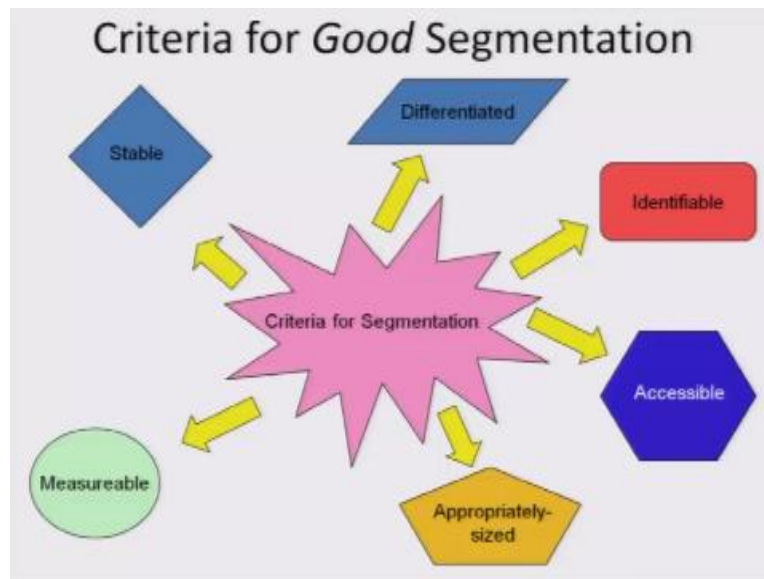
Indian Institute of Technology Kanpur
National Programme on Technology Enhanced Learning (NPTEL)
Course Title
Marketing Management – 1

Lecture: W7-L4
Generic Modeling Strategy

by
Prof. Jayanta Chatterjee
Dr. Shashi Shekhar Mishra
Dept. of Industrial Management and Engineering
I.I.T. Kanpur

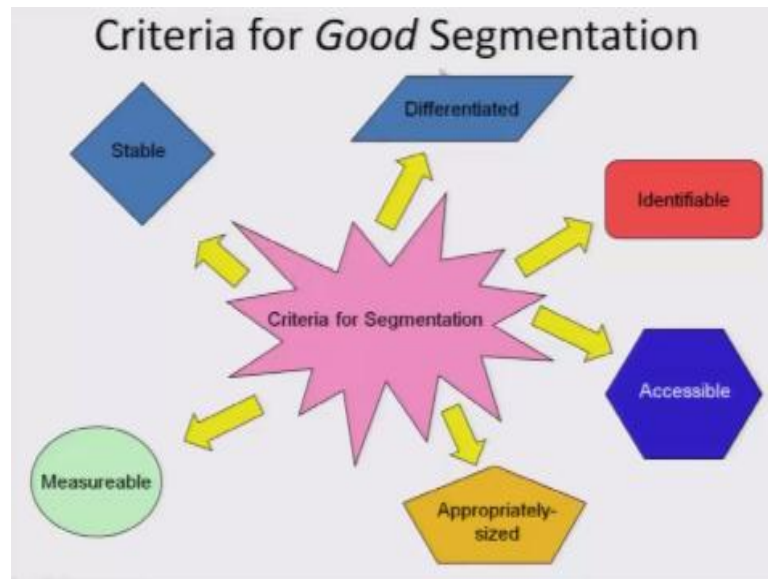
Prof. Jayanta Chatterjee: Hello, welcome to the next session of marketing management 1, we will continue our discussion on market segmentation and targeting. So to pick it up from where I ended yesterday, a good market segmentation.

(Refer Slide Time: 00:38)



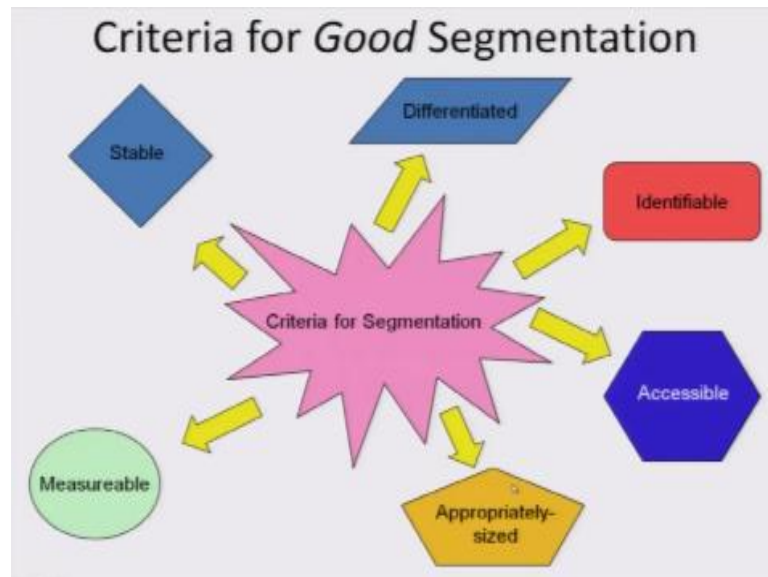
Prof. Jayanta Chatterjee: Should satisfy the conditions that are there on the screen in front of you. These are the criteria for satisfaction six of them, which normally should be clear for good segmentation, first of all.

(Refer Slide Time: 01:01)



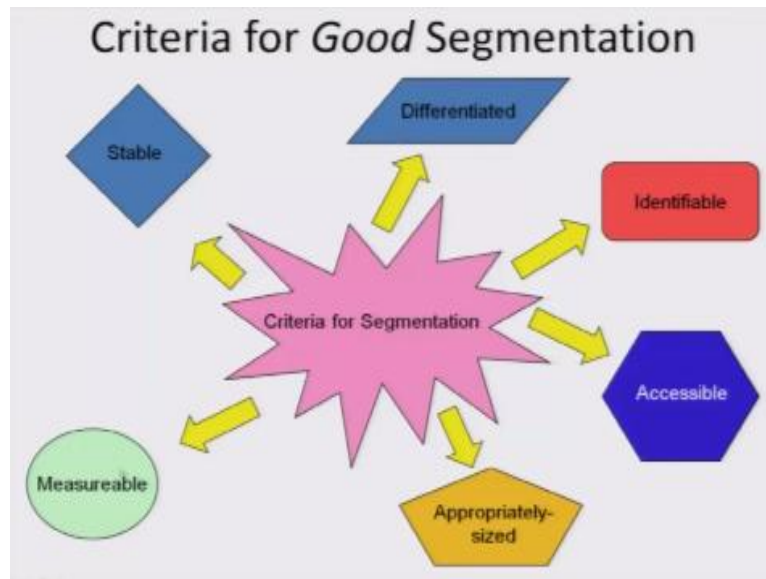
Prof. Jayanta Chatterjee: As we have discussed that the segment must be differentiated it must be clear, why and how that particular market segment should be treated differently from other segments. Obviously only if it is identifiable then this whole question of differentiated thing comes and then there can be differentiated and identified segment but unless it is accessible to us then it is not of much importance for our marketing strategy. So that accessibility is also a very important point. It should be of a good size so that it can be mind for a sufficient length of time.

(Refer Slide Time: 01:57)



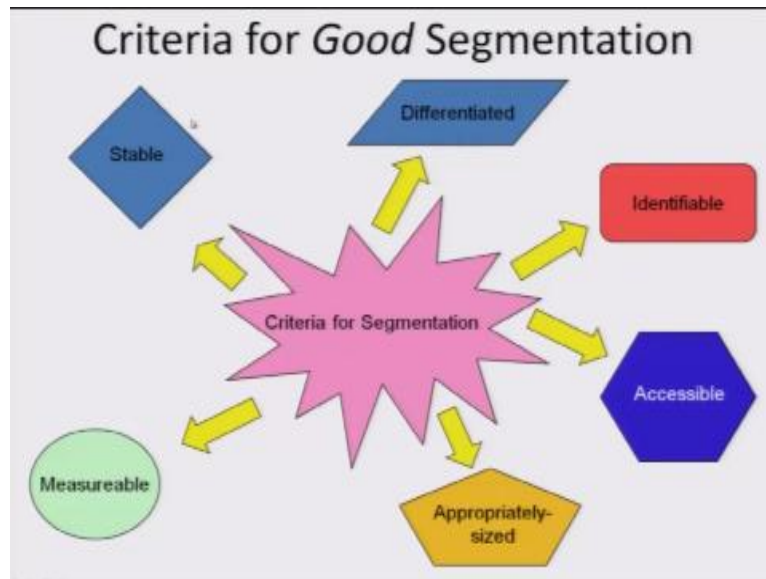
Prof. Jayanta Chatterjee: So the segment should last as a segment for foreseeable future and then of course good segmentation means we have to have knowledge about that segment. We have to have some kind of investigation already done for that segment so we should be able to measure it.

(Refer Slide Time: 02:17)



Prof. Jayanta Chatterjee: We should be able to say you know it consists of how many potential units of sale. How many potential number of consumers over a certain period of time and then that definition should hold true for some time stable, this particular idea about stability is under a lot of challenge these days because different types of market segments are getting overlapped overtime, so a market segment which is for a mobile phone gets overlapped with the market segment for a music consumer or for video content consumer and therefore the stability has to be now treated.

(Refer Slide Time: 03:05)



Prof. Jayanta Chatterjee: As a dynamic stability, that means the definition of stability will not be static we have to embrace a different changes that are coming in. So the same segment can actually now represent the segmentation for a couple of more products or services and one can have, one has to look at different types of fusion. So for example as I will, as I promised yesterday, I will look at some examples today or small case slats. Let us look at this as a market segment at petrol pumps.

(Refer Slide Time: 03:46)

Market Segments at Petrol Pumps		
Segment	Size (% of all buyers)	Description
Generation Now — Food, Fuel, Fast	27	Upwardly mobile men and women; half under 25; constantly on the go; drive a lot and snack heavily from the convenience store.
Homemakers	21	Usually housewives shuttling children around during the day; use whatever gasoline station is in town or along their travel routes.
Price Shoppers	20	Generally neither loyal to a brand nor a gas station; rarely buy premium; frequently on tight budgets.
Road Warriors	16	Generally higher-income, middle-aged men; drive 25,000 to 50,000 miles per year; buy premium gas with a credit card; purchase sandwiches and drinks from the convenience store, sometimes use the car wash/polish.
True Blues	16	Usually men and women with moderate to high incomes; brand loyal and sometimes gas station loyal; frequently buy premium gasoline and pay cash.

Prof. Jayanta Chatterjee: Now petrol pumps in India have operated almost like ration shops for last so many decades. Because the customer did not really have a choice the competition was among the public sector companies, so ultimately they were all government owned and they also had certain kind of control over a particular territory or preferences, so in a way they almost behaved as monopolistic or oligopolistic companies competing in a very growing but protected segment.

But today that protected industry is opening up more and more we will perhaps, already there is decontrol with respect to price in the sense that prices are now variable over any length of time so they go up, they go down, somewhat in concerns with the international price of crude etcetera. But we will soon see opening up of pricing freedom, we will soon see more competition coming from the private sector. And as a result earlier perhaps it was not market segmentation at petrol pump was not so important because people, the petrol pumps really did not care.

Because they knew their customers did not have much of alternative, but that scenario is going to change, so many oil and petrol companies today are focusing a lot on understanding the market dynamics of their customers in India. And we have recently had a long series of sessions with

some of these petroleum retailing companies and this particular chart that you see in front of you is based on kind of international pattern.

But a lot of it is quite applicable to the Indian scenario at least in the urban and semi-urban areas. So as you can see first is comes a generation.

(Refer Slide Time: 06:10)

Market Segments at Petrol Pumps		
Segment	Size (% of all buyers)	Description
Generation Now — Food, Fuel, Fast	27	Upwardly mobile men and women; half under 25; constantly on the go; drive a lot and snack heavily from the convenience store.
Homemakers	21	Usually housewives shuttling children around during the day; use whatever gasoline station is in town or along their travel routes.
Price Shoppers	20	Generally neither loyal to a brand nor a gas station; rarely buy premium; frequently on tight budgets.
Road Warriors	16	Generally higher-income, middle-aged men; drive 25,000 to 50,000 miles per year; buy premium gas with a credit card; purchase sandwiches and drinks from the convenience store, sometimes use the car wash/polish.
True Blues	16	Usually men and women with moderate to high incomes; brand loyal and sometimes gas station loyal; frequently buy premium gasoline and pay cash.

Prof. Jayanta Chatterjee: And now these are young people, they are on the go, they like fast food and there is other characteristics are posted there, this kind of customers did not exist maybe 10 years back or maybe say 20 years back. But this is a very fast growing because now younger and younger people have possession of cars because they come from affluent families, they can afford to have to three cars so young adults today have cars of their own. And these people who may be under 25 or around 25 have a certain kind of consumption pattern. Their patience level is low and they expect a certain kind of.

(Refer Slide Time: 07:00)

Market Segments at Petrol Pumps		
Segment	Size (% of all buyers)	Description
Generation Now — Food, Fuel, Fast	27	Upwardly mobile men and women; half under 25; constantly on the go; drive a lot and snack heavily from the convenience store.
Homemakers	21	Usually housewives shuttling children around during the day; use whatever gasoline station is in town or along their travel routes.
Price Shoppers	20	Generally neither loyal to a brand nor a gas station; rarely buy premium; frequently on tight budgets.
Road Warriors	16	Generally higher-income, middle-aged men; drive 25,000 to 50,000 miles per year; buy premium gas with a credit card; purchase sandwiches and drinks from the convenience store, sometimes use the car wash/polish.
True Blues	16	Usually men and women with moderate to high incomes; brand loyal and sometimes gas station loyal; frequently buy premium gasoline and pay cash.

Prof. Jayanta Chatterjee: A certain set of facilities without asking for it, then we have people who are homemakers, house, you know housewives and they are actually doing all the taking the children from one kind of coaching to another kind of coaching and they do not really care much about the brand and so on, for them the focus is on convenience. Then we have price shoppers this category is, is to emerge because prices are still one pump to the other pump prices do not change very much.

Except we can now see that there are areas urban areas where for example one may drive from Delhi border area into Haryana or from UP in Kanpur to Kanpur dehat and, and, and get some price advantage and there are some people who will go for that, will go that extra mile to get the price advantage. This is a very interesting segment because as the price gets decontrolled more and more and as competitive pricing freedom is given to retail operations in petroleum we will see this kind of segmentation will become important. And therefore, and then we are left with these two other segments road warriors.

(Refer Slide Time: 08:34)

Market Segments at Petrol Pumps		
Segment	Size (% of all buyers)	Description
Generation Now — Food, Fuel, Fast	27	Upwardly mobile men and women; half under 25; constantly on the go; drive a lot and snack heavily from the convenience store.
Homemakers	21	Usually housewives shuttling children around during the day; use whatever gasoline station is in town or along their travel routes.
Price Shoppers	20	Generally neither loyal to a brand nor a gas station; rarely buy premium; frequently on tight budgets.
Road Warriors	16	Generally higher-income, middle-aged men; drive 25,000 to 50,000 miles per year; buy premium gas with a credit card; purchase sandwiches and drinks from the convenience store, sometimes use the car wash/polish.
True Blues	16	Usually men and women with moderate to high incomes; brand loyal and sometimes gas station loyal; frequently buy premium gasoline and pay cash.

Prof. Jayanta Chatterjee: These are people who are on the road, they are traveling sales people, there are people who are in marketing or different other kinds of field activity oriented jobs and they travel a lot and they actually being on the go, they expect not only the core service of buying petroleum but they would like to get some convenient items like some sandwiches, snacks, etcetera available, they may like to get a quick car wash extra. So then you can see that by understanding the type of consumer, by understanding the core and peripheral preferences of a consumer one can create a certain value proposition which will be attractive to that segment this is exactly but we define in the last session as segmentation and targeting.

(Refer Slide Time: 09:38)



Prof. Jayanta Chatterjee: There is another kind of segmentation, this is global consumer segmentation where we look at psychological or psycho-social profiling of customers.

(Refer Slide Time: 09:50)

Market Segments at Petrol Pumps		
Segment	Size (% of all buyers)	Description
Generation Now — Food, Fuel, Fast	27	Upwardly mobile men and women; half under 25; constantly on the go; drive a lot and snack heavily from the convenience store.
Homemakers	21	Usually housewives shuttling children around during the day; use whatever gasoline station is in town or along their travel routes.
Price Shoppers	20	Generally neither loyal to a brand nor a gas station; rarely buy premium; frequently on tight budgets.
Road Warriors	16	Generally higher-income, middle-aged men; drive 25,000 to 50,000 miles per year; buy premium gas with a credit card; purchase sandwiches and drinks from the convenience store, sometimes use the car wash/polish.
True Blues	16	Usually men and women with moderate to high incomes; brand loyal and sometimes gas station loyal; frequently buy premium gasoline and pay cash.

Prof. Jayanta Chatterjee: So as you can see in the earlier one we looked at in a way the segmentation was done with respect to sensitivity of customers towards time and a service dimensions desired by the consumer whereas here we are looking at the psychosocial profile of the consumers.

(Refer Slide Time: 10: 07)



Prof. Jayanta Chatterjee: So they are strivers, that means they are people who are ambitious climbing from one economic level to the other economic level these are young hard-working professionals or we may have people who are like just fun seekers.

(Refer Slide Time: 10: 28)



Prof. Jayanta Chatterjee: Rich blacks' maybe and creative's people who have interest in not only education but technology, knowledge, and so on. This is not for petrol pump but there will be other products for example if you are retailing music or for example if you are in the business of smart phones or if you are in the business of books and literature or if you are in the book business of newspapers, there also we will need segmentation and this kind of psychosocial providing becomes very important there.

Because many of these items are marketed globally or at least over a much wider span of market so understanding the different profiling of customers become important there to create segmentation.

(Refer Slide Time: 11: 30)

Segmenting the Dog-Food Market					
	Doter	Loving Parent	Caring Companion	Casual Friend	Indifferent Acquaintance
% of households	17	22	18	25	18
Emotional Bond	Love	Love	Affection	Affection	Casual Attachment
Nature of Relationship	Dog as Grand Child	Dog as Child	Dog as Best Friend	Dog For The Family	Dog as Dog
Attitude Expressed in Dog Food	Indulgence	Love/Do What's Best	Health & Nutrition	Basic Fuel	Cheap / Convenient Fuel
ANTE (Cost of Entry)	- Premium - Strong Dog Appeal	- Complete Nutrition - Quality	- Healthy / Nutritional	- Price - Rationalized Variety	- Price - Convenience
Driver (of Brand Choice)	- Flavor/Variety - Brand Image	- Health Performance - Variety	- Professional Recommendation	- Price / Emotion	- Great Price

Prof. Jayanta Chatterjee: I will end this series of examples with this particular one, this is for a dog food market, a growing market in India rapidly growing market in India, it is a very mature market in many of the Western countries where people have dog as a companion, people have very small families or no family and the dog is often a substitute for family. So as you see here the segments have been defined as doter that somebody who dotes on his or her dog or a loving parent who treats who treat their dog family dog as almost part of the family as well as another child.

Or a caring companion, there are many old people where the dog is their companion you know and also of course there are very trained dogs for senior citizens or the physically visually challenged consumers where the dog becomes a very important personality in the life of the consumer, and therefore the dog gets that kind of importance in the spending pattern of the consumer. Then of course we have a casual relationship and then there are owners who are not that you know, they are just indifferent owners.

Accordingly there is some percentage household, this is taken from a U.S survey but I will not be surprised if this profiling is quite similar in Bombay or Delhi and so you can see here therefore

the owner or the consumer who will actually buy the dog food have different kinds of emotional relationship with the dogs for whom the food is being purchased and as a result the more you go towards.

(Refer Slide Time: 13: 43)

Segmenting the Dog-Food Market					
	Doting	Loving Parent	Caring Companion	Casual Friend	Indifferent Acquaintance
% of households	17	22	18	25	18
Emotional Bond	Love	Love	Affection	Affection	Casual Attachment
Nature of Relationship	Dog as Grand Child	Dog as Child	Dog as Best Friend	Dog For The Family	Dog as Dog
Attitude Expressed in Dog Food	Indulgence	Love/Do What's Best	Health & Nutrition	Basic Fuel	Cheap / Convenient Fuel
ANTE (Cost of Entry)	- Premium - Strong Dog Appeal	- Complete Nutrition - Quality	- Healthy / Nutritional	- Price - Rationalized Variety	- Price - Convenience
Driver (of Brand Choice)	- Flavor/Variety - Brand Image	- Health Performance - Variety	- Professional Recommendation	- Price / Emotion	- Great Price

Prof. Jayanta Chatterjee: The left of this chart the more you go towards the left of this chart there will be a higher propensity for paying for variety, for paying for features, and so on and the more towards you move towards the this side of the chart you know more towards in difference the thing will be that the those customers who care very much as well as you the basic dog food is available it is fine but whereas and this side we will have people who will look for variety, who will look for various nutritional data, who will look for different kind of tastes and so there will be number of micro segments possible on this side whereas there will be just the core product on this side.

So the segmentation therefore from these examples you can gather can give us ideas about the consumers, their psychology, their personality, their likes and dislikes, their demands, their minimum requirements, and so on as a result of which you will be able to package your product, you will be able to propose the values of your product with respect to other products you will be

able to create a difference here at position and that is an absolutely fundamental aspect of marketing strategy. Let us wrap up now in few steps this discussion on this very important discussion on market segments.

(Refer Slide Time: 15: 30)

Segmenting the Dog-Food Market					
	Doter	Loving Parent	Caring Companion	Casual Friend	Indifferent Acquaintance
% of households	17	22	18	25	18
Emotional Bond	Love	Love	Affection	Affection	Casual Attachment
Nature of Relationship	Dog as Grand Child	Dog as Child	Dog as Best Friend	Dog For The Family	Dog as Dog
Attitude Expressed in Dog Food	Indulgence	Love/Do What's Best	Health & Nutrition	Basic Fuel	Cheap / Convenient Fuel
ANTE (Cost of Entry)	- Premium - Strong Dog Appeal	- Complete Nutrition - Quality	- Healthy / Nutritional	- Price - Rationalized Variety	- Price - Convenience
Driver (of Brand Choice)	- Flavor/Variety - Brand Image	- Health Performance - Variety	- Professional Recommendation	- Price / Emotion	- Great Price

Prof. Jayanta Chatterjee: So some of the ones we have done this kind of segmentation say the dog food market and if you are a dog food manufacturer or any kind of other pet product manufacturer.

(Refer Slide Time: 15: 41)

Questions about Market Segments

- How many market segments are enough?
- Can an individual customer be a market segment?
- Do market segments evolve?
- How do customer life cycle affect market segments?
- Does a *segment* of customers differ from a *group* of customers?
- Can we develop segments based on just our current customers?

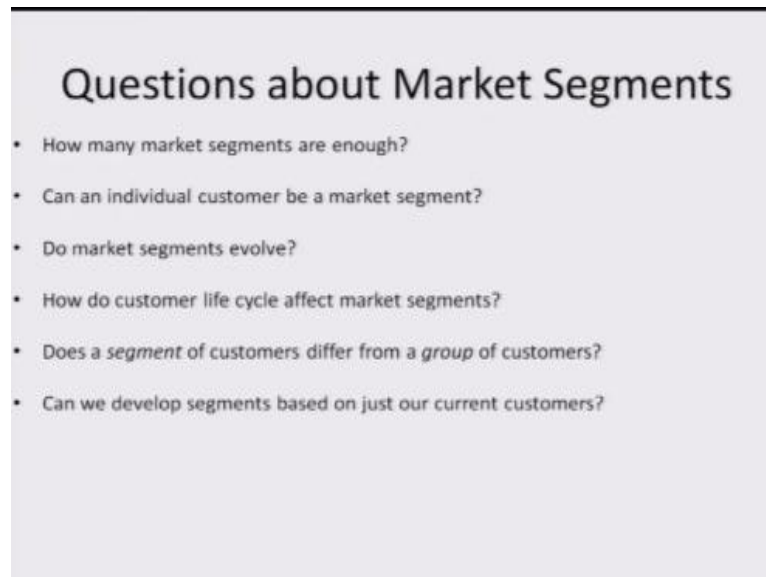
Prof. Jayanta Chatterjee: You would ask how many market segments are enough for our ambition, are we going to focus.

(Refer Slide Time: 15: 48)

Segmenting the Dog-Food Market					
	Doter	Loving Parent	Caring Companion	Casual Friend	Indifferent Acquaintance
% of households	17	22	18	25	18
Emotional Bond	Love	Love	Affection	Affection	Casual Attachment
Nature of Relationship	Dog as Grand Child	Dog as Child	Dog as Best Friend	Dog For The Family	Dog as Dog
Attitude Expressed in Dog Food	Indulgence	Love/Do What's Best	Health & Nutrition	Basic Fuel	Cheap / Convenient Fuel
ANTE (Cost of Entry)	- Premium - Strong Dog Appeal	- Complete Nutrition - Quality	- Healthy / Nutritional	- Price - Rationalized Variety	- Price - Convenience
Driver (of Brand Choice)	- Flavor/Variety - Brand Image	- Health Performance - Variety	- Professional Recommendation	- Price / Emotion	- Great Price

Prof. Jayanta Chatterjee: Only on the right side or are we going to focus on the, on the entire range.

(Refer Slide Time: 15: 57)



Prof. Jayanta Chatterjee: That depends on our ambition, our competence, our availability of resources, supply chain, accessibility of different types of market segments, and so on. Then the next question these are some questions not all related to the dog food one but they are related to the earlier examples like global consumer or petrol pump and many other way we can look at it because we have now these important questions, can one individual be a market segment can there be a market segment of one?

Can there be a market segment of one family? Now in the physical world like for example a tailor, a tailor deals with a market segment of one because a tailor usually will know his or her customer by name, by choice, by profile, so the tailor can create a value proposition for one particular customer but when we look at mass merchandising, earlier this very word of mass merchandising means we were not doing any individualistic treatment. at best we were looking at value proposition for a particular segment.

But now the segments are becoming narrower and narrower and a company has to deal with more and more and more segments. Obviously it means that in your product or service offering you have to create certain kind of a portfolio so keeping certain characteristics same you may do

some variation to create different types of offerings. You can see toothpastes for example, so we have earlier we only had tooth white toothpaste in a red tube and very small, medium, large. Today we have maybe 17, 18, 30 different varieties of toothpastes, they come in different colors they come in different stripes, they come in with different additives like salt or charcoal or neem and other herbal elements and so on and so forth.

So there are large number of small segments catered to by the same toothpaste manufacturer, they have to do it so that they have to protect their flanks, they have to address all the different segments because a large manufacturer like Unilever and Procter and Gamble would not like to leave any particular segment unaddressed because through that unaddress segment they may allow somebody to evolve challenges for all their segments.

Next question is two market segments evolve. A market segment as it exists today will it change, one obvious answer is that as people age somebody who is a 25 year old customer in that example of petrol

(Refer Slide Time: 19:15)

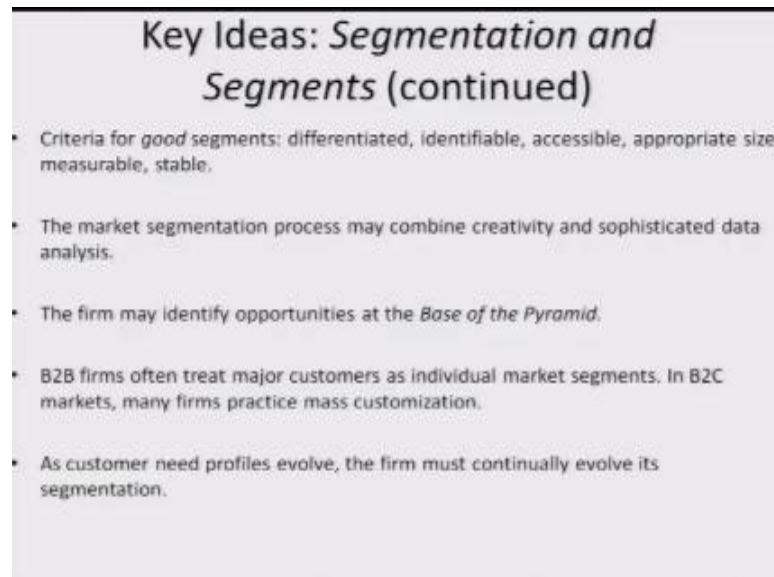
Market Segments at Petrol Pumps		
Segment	Size (% of all buyers)	Description
Generation Now — Food, Fuel, Fast	27	Upwardly mobile men and women; half under 25; constantly on the go; drive a lot and snack heavily from the convenience store.
Homemakers	21	Usually housewives shuttling children around during the day; use whatever gasoline station is in town or along their travel routes.
Price Shoppers	20	Generally neither loyal to a brand nor a gas station; rarely buy premium; frequently on tight budgets.
Road Warriors	16	Generally higher-income, middle-aged men; drive 25,000 to 50,000 miles per year; buy premium gas with a credit card; purchase sandwiches and drinks from the convenience store; sometimes use the car wash/polish.
True Blues	16	Usually men and women with moderate to high incomes; brand loyal and sometimes gas station loyal; frequently buy premium gasoline and pay cash.

Prof. Jayanta Chatterjee: Pump like the top one, our generation now as the person grows older does he or she remain the same or does he therefore travel from that top segment to the next segment to the next segment or is it that this personality type determines that a particular customer remains almost the same exhibit, the same characteristics with respect to segmentation. How do customer lifecycle affect market segment, this customers ageing, customers life position, that means today the person is a actually a free body, tomorrow a young couple, then a young couple with a young family, then a young couple with a graduating family the children are graduating out of home, a senior couple and so on.

So this transition through life does it change our behavior pattern, our purchasing buying pattern which we should take note of during segmentation, and is a segment of customers same as a group of customer and lastly can we develop segments based on just our current customers? That means is the segmentation strategy valid for today's customers, tomorrow's customers? Do we create our offering in such a way that we are addressing a certain type of customer today but we will be able to add customer segments as they are evolving, as far as the market is evolving, as our capabilities are evolving without flouting the fundamental logical position that we had created during the initial position.

Now these six questions are for you to think about and again if you like to it is not mandatory but if you like to then you can comment on one or all of these questions in the forum and we would like to see your viewpoints and we would like to you to exchange your views with those of others attending this course, that kind of thinking on you own is very important for this kind of course to be successful. We have already provided to you enough input and of course you can always access internet based search and try to find the answers and do not hesitate even if you have a one-line answer or if you want to say a para of thoughts or share a paragraph of thoughts please do that, then on the forum we will have some perspectives from different sites and then we can try to put it together

(Refer Slide Time: 22:44)



Key Ideas: *Segmentation and Segments* (continued)

- Criteria for *good* segments: differentiated, identifiable, accessible, appropriate size, measurable, stable.
- The market segmentation process may combine creativity and sophisticated data analysis.
- The firm may identify opportunities at the *Base of the Pyramid*.
- B2B firms often treat major customers as individual market segments. In B2C markets, many firms practice mass customization.
- As customer need profiles evolve, the firm must continually evolve its segmentation.

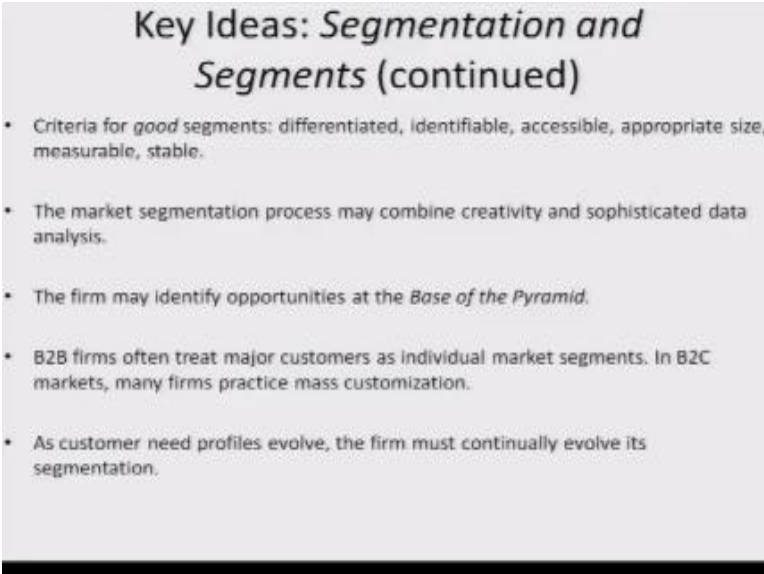
Prof. Jayanta Chatterjee: To conclude criteria for good segment their differentiated, identifiable, accessible, appropriate in size, measurable, and stable is the first slide that we showed today. The market segmentation process may combine creative intuition insight as well as good data analytics, so remember a market segment as we have discussed earlier that during consumer behavior, the market segmentation has to be, they must be based on logical cognitive reasoning as well as effective emotional clues.

We I am not sure whether we will have enough time to discuss but these base of the pyramid you know deep interior villages or people who buy in small quantities but frequently, this kind of market behavior at the base of the pyramid are creating new types of segmentation like this whole you can see the shampoo business for example has now almost changed to small sachet based segment. Other things like tea or different kind of snacks are today more and more sold through small packages rather than one large package, this is kind of based on the study or purchase behavior at the lower end of the market, lower end in terms of per items spending or provocation spending.

Similarly segmentation is also there in B2B industrial market and there are new ideas that are coming up in segmentation like say mass customization where you look at a modular construct of a product and you add or delete stuff or create some additional features, and you can cater to different markets. So for example Brookbond has Red Label tea which is strong Assam tea and now they have created a new variant where they have added various kind of herbs like cinnamon or clove etc and created a tea which has got some ayurvedic value proposition.

So this is a good example of creating new possibilities by looking at products in a modular sense or in a portfolio sense

(Refer Slide Time: 25:38)



Key Ideas: *Segmentation and Segments* (continued)

- Criteria for *good* segments: differentiated, identifiable, accessible, appropriate size, measurable, stable.
- The market segmentation process may combine creativity and sophisticated data analysis.
- The firm may identify opportunities at the *Base of the Pyramid*.
- B2B firms often treat major customers as individual market segments. In B2C markets, many firms practice mass customization.
- As customer need profiles evolve, the firm must continually evolve its segmentation.

Prof. Jayanta Chatterjee: And we have asked you a question in the previous slide and with respect to evolution, with respect to dynamic nature of segmentation and we would like to hear your opinion on these six questions. So goodbye for today and tomorrow we will continue from here and proceed towards position, proceed towards the strategy that can be implemented from the marketing analysis that you will be doing based on all the earlier lessons, thank you.

Acknowledgement
Ministry of Human Resource & Development

Prof. Satyaki Roy
Co-ordinator, NPTEL IIT Kanpur

NPTEL Team
Sanjay Pal
Ashish Singh
Badal Pradhan
Tapobrata Das
Ram Chandra
Dilip Tripathi
Manoj Shrivastava
Padam Shukla
Sanjay Mishra
Shubham Rawat
Shikha Gupta
K. K. Mishra
Aradhana Singh
Sweta
Ashutosh Gairola
Dilip Katiyar
Sharwan
Hari Ram
Bhadra Rao
Puneet Kumar Bajpai
Lalty Dutta
Ajay Kanaujia
Shivendra Kumar Tiwari

an IIT Kanpur Production

©copyright reserved