

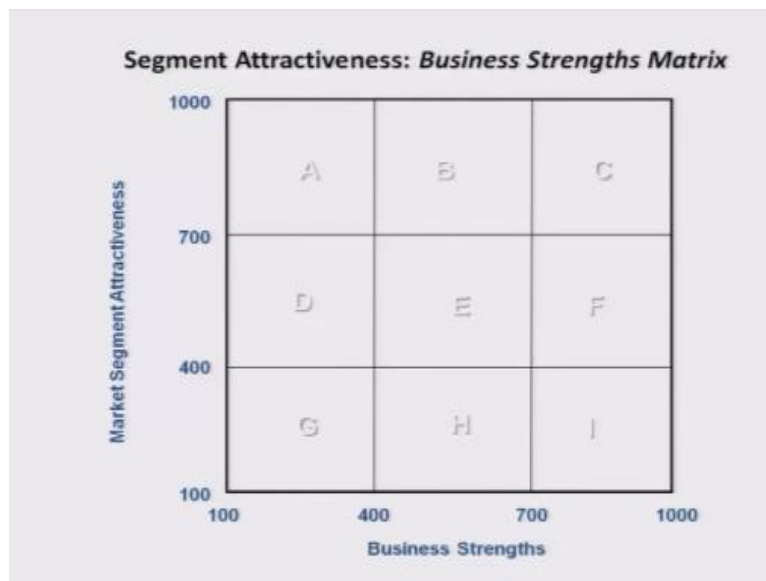
Indian Institute of Technology Kanpur
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Course Title
Marketing Management – 1

Lecture: W7- L5
Generic Modeling Strategy

by
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Prof. Jayanta Chatterjee: Hello, welcome to our next session during this 7th week of our discussions on marketing management, part 1. Continuing our journey to understand and realize the principals and practices of market segmentation and market targeting we will take up today a few quantitative models, the first one as you see on your screen can be developed.

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Prof. Jayanta Chatterjee: Based on the ideas that we have already discussed in the last few session, here on the x-axis or on the horizontal we have business strength of a particular company, business strength can come from your distribution strength, can come from your

financial resources, can come from your brand recognition in a particular market, can come from your relationship with major customers and so on.

So here we have business strength from 100 to 1000, I mean this is just a scale it does not represent rupees or does not represent people and so on it is a composite it is a scale to look at the business strength of different companies in the field. It could be 1 to 10 here we have taken 100 to 1000, in the same way on the y axis we have taken market segment attractiveness, market segments attractiveness, so obviously if your business strength is high and the market segment is very attractive then this is where you will put a lot of emphasis obviously.

Whereas if your business strength is low but the market is very attractive it means that this is somewhere this is a particular segment or market opportunity where you have to put in lot of new effort, so this will be where maybe you will be in a protective mode whether as this will be where you will be in an aggressive mode.

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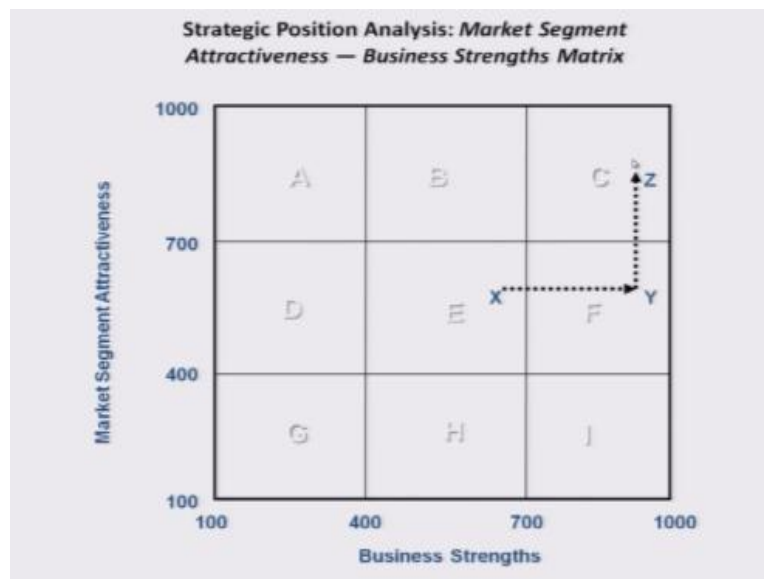
Scoring the Attractiveness of a Market Segment		
Step Number	Step	Description
1	Identify factors	The firm seeks several factors -- typically 5 to 8 -- according to the statement: "Given our history, objectives, culture, management style, successes and failures, we like to be in market segments that offer ..."
2	Weight factors	Weight each factor by allocating 100 points based on its importance to the firm. Factor weights sum to 100.
3	Rate market segments	Rate each market segment according to how well it performs on each factor (1 = poor; 10 = excellent).
4	Develop Factor Scores	For each segment, form individual factor scores by multiplying the results of step 2 and step 3 for each factor. Factor score = Weighting X Rating.
5	Develop the Market Segment Attractiveness Score	Sum the individual factor scores.

Prof. Jayanta Chatterjee: Now how to score this, this market segment attractiveness etcetera, how to score, how to arrive at that, so step number one is that you identify factors the far, you know it

can be many factors typically 5 to 8 and you actually would use statements like this that given our history objective culture management style success and failure we like to be in market segments that offer. Now here you have to put those identity factors like that of stability or that of a rapid growth, or that of a higher margin and so on. Then you can put some weights on those different factors because for example if your company is, has pressure on free cash flow then when you are developing or looking at market segments those market segments which offer better liquidity or that means better payment terms will be more attractive to you because of your financial situation.

So based on your particular company situation you will have different priorities and accordingly these weights are determined, then each market segment then can be rated with respect to the performance on all these different types of features factors and then you can develop factors scores and then you can develop at market segment attractiveness score by integrating.

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Prof. Jayanta Chatterjee: So for example we may find that we have for a certain particular product range a position somewhere here, that means our business strength is something like 600 and our market segment attractiveness is 600 and then we can actually our strategy will be how

we will move from x to y, y to z in two steps, so which means that we would like to improve our business strength and having improved our business strength we would like to go to market segment which is more attractive. So for example a manufacturer of noodles ready to eat noodles maybe now in a very strong position in Southeast Asia and that company can then try to develop its marketing muscle in India, marketing infrastructure in India capabilities and address India where with this ready to eat noodles where the market potential is still.

Quite huge and there is a rapid growth of ready-to-eat stuff market, so this is what we mean that after we have determined our position on this chart market segment versus business strength we can actually decide that for example we will hold this position X or we will move from X to Y to Z or we will sort of exit from somewhere here where the business strength is low.

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Prof. Jayanta Chatterjee: And market segment also is not very attractive, positions regarding marketing resource allocation can be made.

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Template for Analyzing Market Segment Attractiveness			
Factor	Weighting	Segment Rating (1 to 10 scale)	Factor Score (weighting X rating)
Total			

Prof. Jayanta Chatterjee: When we actually so this is the chart I was discussing.

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Prof. Jayanta Chatterjee: Earlier.

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Scoring the Firm's Business Strengths		
Step Number	Step	Description
1	Identify factors	For each segment, the firm selects several factors (typically 5 to 8) according to the statement: "To be successful in this market segment, any competitor must possess the following strengths ..."
2	Weight factors	Weight each factor by allocating 100 points based on its importance for being successful in the segment. Factor weights sum to 100.
3	Rate the firm	Rate the firm according to its possession of these strengths: (1 = poor; 10 = excellent)
4	Develop Factor Scores	For each factor, form individual factor scores: multiplying the results of step 2 and step 3 for each factor. Factor score = Weighting X Rating.
5	Develop the Business Strengths Score	Sum the individual factor scores.

Prof. Jayanta Chatterjee: When I had this, so this particular process.

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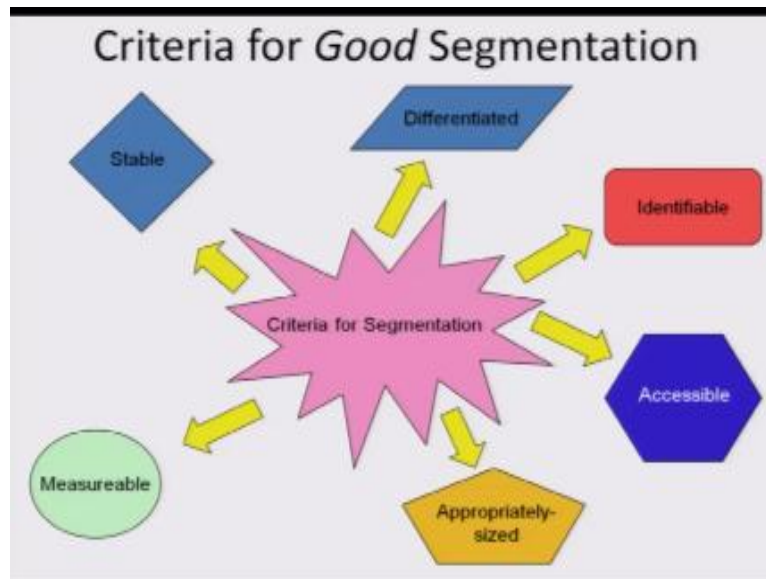
Prof. Jayanta Chatterjee: Can be.

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Template for Analyzing Market Segment Attractiveness			
Factor	Weighting	Segment Rating (1 to 10 scale)	Factor Score (weighting X rating)
Total			

Prof. Jayanta Chatterjee: Depicted in a chart like this so this chart is like the different factors which determine a particular market segment attractiveness.

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Prof. Jayanta Chatterjee: Those factors we have discussed if you remember in earlier discussion like different kinds of criteria for a good segmentation differentiated.

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Template for Analyzing Market Segment Attractiveness			
Factor	Weighting	Segment Rating (1 to 10 scale)	Factor Score (weighting X rating)
Total			

Prof. Jayanta Chatterjee: Identifiable accessible size, measure, stable and so on and then we put them here on this and we can develop new factors like liquidity of the market or terms of payment or rate of growth. Sometimes the rate of grow is very important for us rather than size because we may already be a very big player and so even a new emerging segment but the rate of growth is very high is important because that will bring the growth rate enhancement to our financial profile, so therefore these factors will have different weights.

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Template for Analyzing Market Segment Attractiveness			
Factor	Weighting	Segment Rating (1 to 10 scale)	Factor Score (weighting X rating)
Total			

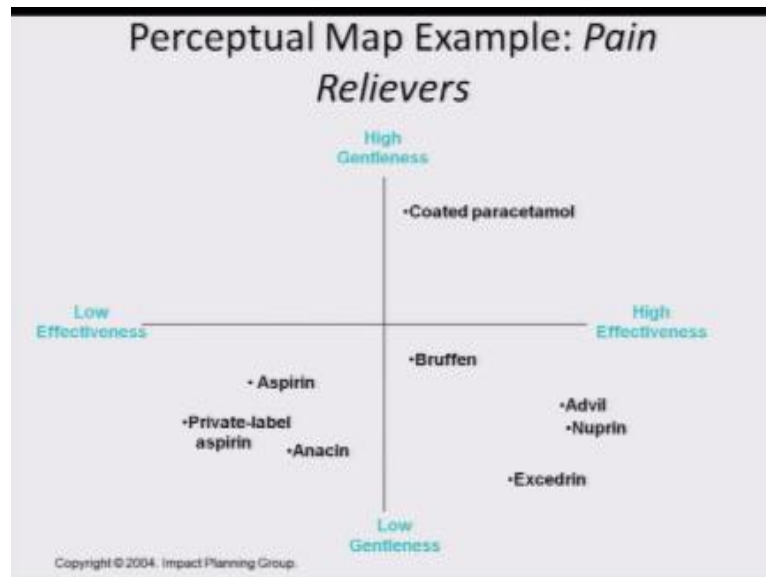
Prof. Jayanta Chatterjee: For different companies and for different types of markets, so then we can do a segment rating that how a particular segment rates, so that could be geographical segment, so for example these can be factors like terms of payment, a concentration of customer availability, distribution infrastructure etcetera. Distinctiveness in the customer mind and then we can give weights here and then we can see how the western region compares with respect to the eastern region and, and accordingly we can have these two types of scores.

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Template for Analyzing Business Strengths			
Factor	Weighting	Segment Rating (1 to 10 scale)	Factor Score (weighting X rating)
Total			

Prof. Jayanta Chatterjee: And then those scores can be compared okay.

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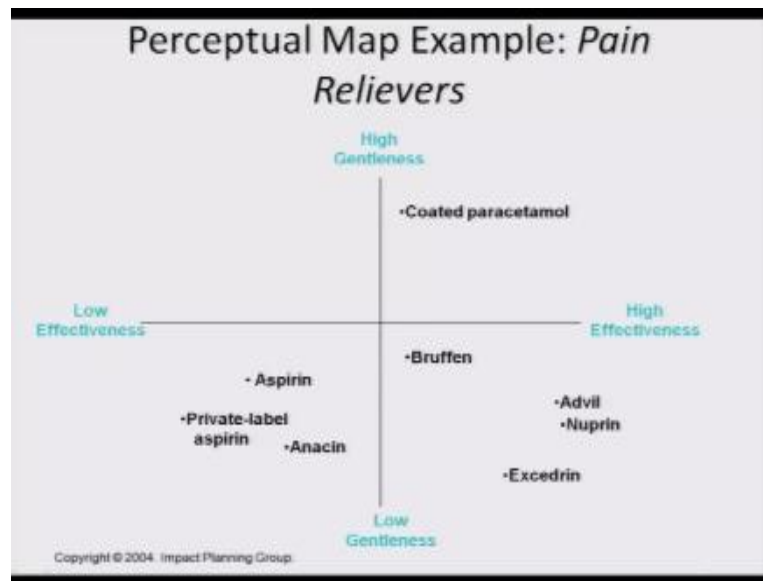


Prof. Jayanta Chatterjee: So I am going to conclude now with a few examples, one example and this is actually I am introducing a new term here of perceptual map, the perceptual map is another kind of composite segmentation where you, we take orthogonal properties that determine customers buying choice and create different positions for existing products and identify gaps where we can position our new offering. So this is a kind of segmentation which is strategy which is a little different from what we have been discussing so this is now a instead of treating each factor independently here we are actually treating two factors together.

And determining a composite position so you can see here this is for pain relievers, so pain relievers usually they have some adverse effect on gastrointestinal tract so they create some kind of stomach related problem or digestion problem as a side effect, so if we want to reduce that side effect then unfortunately the pain relief effectiveness may go down. So you see here we have quoted Paracetamol a generic chemical composite of many different types of pain relievers, this is high on gentleness because as opposed to aspirin which is kind of very low it has a far more adverse effect on gastric function.

The paracetamol is a much gentler on the stomach particularly the coated variety but in terms of effectiveness it is somewhat its position is middle position, and then I have taken some brands like aspirin is the generic chemical but there are some brands which are predominantly aspirin based.

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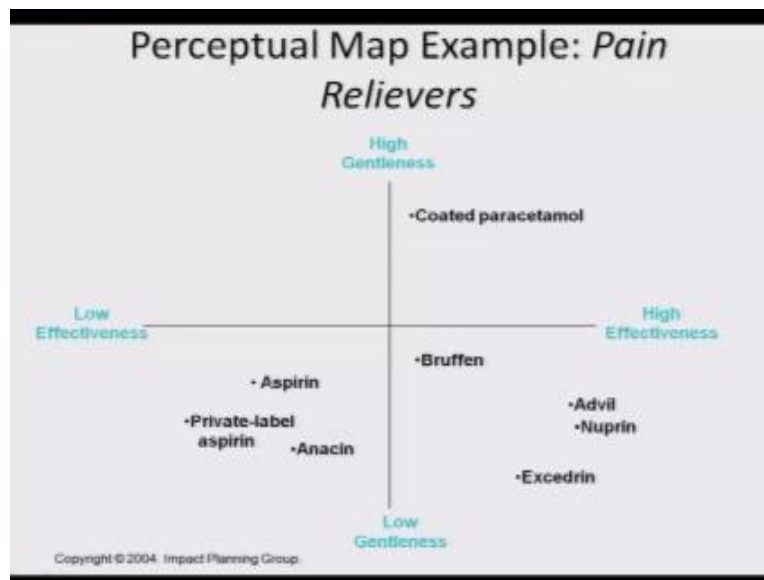


Prof. Jayanta Chatterjee: So like this private label aspirin, you know there is famous buyer aspirin in US or ecosprin in India. Now these are low on gentleness but they are kind of better in terms of effectiveness and then of course there are other painkillers which are very effective, i-effective but low on the gentleness.

Now once you create a map like this and you tabulate all the different players, then you will see for example perhaps there is a market opportunity here which is maybe a pediatric for a kind of a pain reliever for children which is quite gentle and not that strong, or for various types of casual pains this can be therefore seen as a position as yet vacant. Now I am not saying that this is actually the reality of the Indian market this is just a notional presentation.

That you can take this perceptual map and identify different market segments occupied by different products on this two-dimensional map and then identify where you have an entry point where you can be more distinctive with respect to the existing products.

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Prof. Jayanta Chatterjee: So as you can see this is a very crowded market or this can be even more crowded market.

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Prof. Jayanta Chatterjee: So how to identify less crowded markets is, is, is another type of segmentation. So what we have we have been mainly looking at in this particular session is that the segmentation can be done individual factor wise or it can be done with multiple factors in orthogonal combination and sometimes it can be done at a time with taking multiple factors in a multidimensional manner.

I think it is time for us to recap this entire discussion on targeting market segment, we have slightly now changed our positioning as you can see that from usual nomenclature of segmentation, targeting positioning we are now kind of combining that how do you target different market segments? So for each target market segment you have to develop an unique offer which is precisely tailored to the need profile of the customers in that segment.

This is the first core most important message. So segments are determined usually by the nature of consumers and by the type of prime behavior they exhibit. So segmentation is not that you have a product and you are looking for who will be the possible buyer, I mean sometimes it happens but what we are saying is taking the main spirit of marketing that you understand the customer first.

And then create a product or service value proposition to match and wow and excite that particular identified segment. But you may at a time identify number of interesting segments then to decide how you will allocate your marketing resources we should ask two questions that how attractive is this segment and do we have the strength to win the business strength? That is the two by two metrics that we discussed little while back.

So two issues are we, is this opportunity real, how good is this opportunity and how strong are we to avail of this opportunity with respect to competition? And then you can improve your market position by investing either in expanding your business strength or by addressing adjacent segments or a larger cluster of segments. So today you are very strong in northern region.

You may actually include southern region and create a maybe a different or additive set of features and thereby position your hair oil strongly in southern market and also enjoy your strong position in the northern market. So that is kind of you understanding segments and then using the segment for growing the business. We will continue to discuss this even because ultimately we are looking for growth of income growth of profitability and STP our segmentation targeting is a way towards that goal, and we will discuss in next week's sessions a lot more about that.

Then you can have multiple attractive segments, they can be adjacent or sometimes they can be different and you may be able to address them differently because ultimately you have some manufacturing facility or operations or core competence which allow you to address this different segments. So you, you identified that you have core competence in making small engines, then you can address all the different types of segments for boats where the small engine is applied and so you have this speed boats or fishing boats or ferryboats all using your small engine.

That is the, so those segments are not exactly adjacent their different types of they will exhibit different behavior. But because you have the competence of small engine you will be able to develop these different offerings. And at the same time, so that is A segment boat within that there will be sub segments, but you can then take this small engine and you can apply to learn

more, so then you will have different kinds of lawn mowers and harvest our and other products. Again another segment coming from the same core competence and addressing another set of segments.

So the point is that a company may address one segment if it is an entrepreneurial company, but must have a plan of expansion which can be within that broader segment by sub segments like a, like today you enter fish, a fishing boat and then you go into ferry boat or you have to have a strategy of that okay I am doing boat but I will have another effort towards lawn mowers. So this is the way we use segment as step towards the heaven or, or the, our goal of winning market position.

One of the good techniques we use there is this perceptual map, and where we can identify by taking some orthogonal characteristics, both can be important buying criteria and by combination we can find the less crowded positions in the market and that can be then our segmentation strategy basis. So if we have, if we see that gentle mild painkiller has a less crowded market situation then we can develop a product which exactly addresses those types of requirements, and segmentation is important for very large companies, segmentation is important for entrepreneurial companies.

So segmentation is a core step towards marketing direction, where you start and where you want to go, so it is kind of a compass for determining your marketing strategy. Thank you.

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