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Hello everybody! Welcome to Marketing Analytics course. This is Professor Swagato Chatterjee from VGSOM, IIT Kharagpur who will be taking this course for you. The topic of module 3, this is week 3 session 1, the topic of module 3 is segmentation targeting and positioning.

So, in the last two weeks it was a little bit heavy I can understand, this week will be a little bit lighter than the last two weeks. So here we will be talk about customer segmentation and targeting positioning, this is what something which is marketing 101 basics of marketing and this is somewhere I have seen that many people sometimes professors of reputed colleges as well and probably practitioners also in many organisations have a little bit of understanding problem and I have as few slides which talks about what segmentation, targeting, positioning is, and we will discuss about that.

The methodology is probably less tough than the previous ones that we have talked about, so will have a session on that as well. So be with me for this particular presentation.

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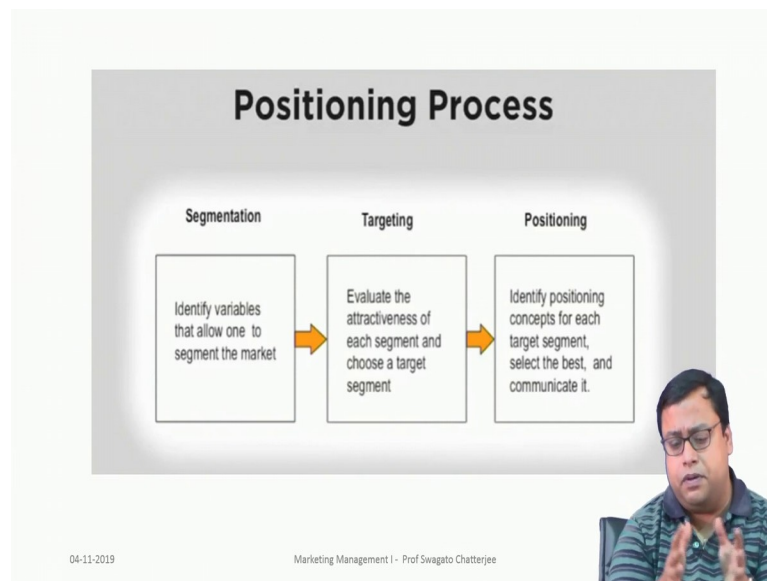
So, the first thing that we are talking about is segmentation and then targeting and then positioning, so of course what is segmentation, targeting, positioning? Some of the content has been taken in this particular thing from the in the presentation is, has been taken from our classic book, Philip Kotler's book. We all follow that book and that is a very good book, that is one thing that I would say and then there are lots of other resources available and in the online domain which is freely available and you can read about that from there as well. Some of the materials I have given in this particular video.

So let us say the major thing that I am interested to talk about is segmentation. So segmentation, targeting, positioning is required because it becomes difficult for an individual or for some company to actually cater to many people. So in segmentation what we do is, it is a methodology to create groups, smaller groups out of lots of consumers.

How I will create those smaller groups? I will make sure that the people who are in the same group are closer to each other and people who are in different groups are very different from each other and then I decide whom I will target. Out of those various groups I cannot actually cater to many people, I cater some of them and then how I will target?

What kind of offerings I will give, what kind of competing offerings that are already available and how I can position myself in the jungle of competing offerings so that I will be different from other people? So that is something based on which this particular thing was created.
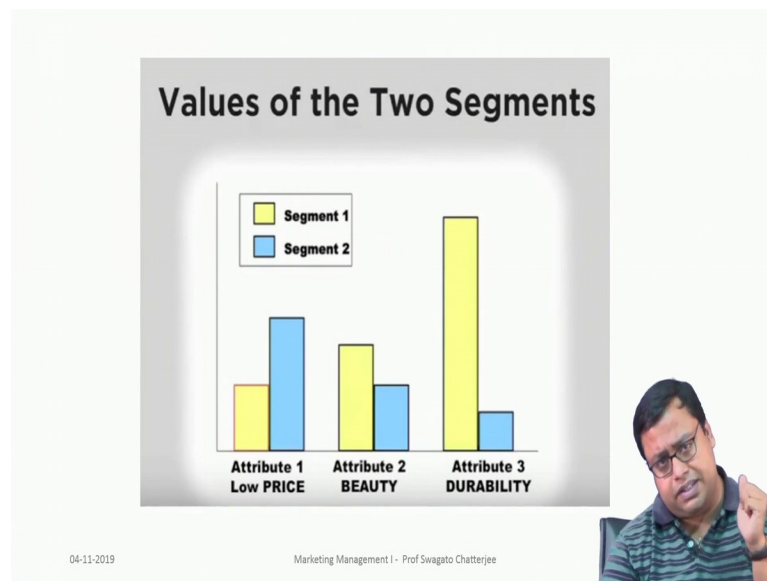
Now, why that is important? One major reason is that many customers have different kind of preference. If you remember in the last video of conjoint analysis, I have shown that people who have health care insurance and people who do not have health care insurance have different kind of preference.

People who have bank account and people who do not have bank account also have different kind of preference, people who have ambulance and who do not have ambulance facility local have different kind of preference and obviously, gender wise also they are different.

So people who are of different groups might have different kind of preference and you have to know first thing is that who has what kind of preference. If you do not know that then whatever you are trying to provide, whatever offerings you are trying to give to these customers will not actually solve their purpose, they might not even buy that because that might not come at the top of their preference.

So, given that kind of a situation we have to find out segments, we have to find out which segment likes what, how they are different, what kind of characteristics they have, what kind of behaviour they do and etcetera. Now a classic question comes up is that so what, people are different so what? Why can I not give something which is, which will be suitable for everybody or which will be in the middle ground?

So why can I actually ask for a truce and say that okay, all of you guys come together and whatever is the middle path I will follow that. The problem of that kind of a methodology is something that I will be going to tell now.

So, let us assume that you are talking about two groups and you just close your eyes and think about that whether you like cold coffee or hot coffee, so some of, or it is ice tea or hot tea, which one you prefer most? So there will be some people in the in my audience who actually like hot tea and there will be some other people who will like ice tea and let us, I take a pool and find out that ok, in my student base that I have, I have 70% people who prefer hot tea and 30% people who prefer ice tea and then during the day when the exam will happen, I thought that I will actually give a tea treat to my students.

So what I decide that ok, why do not I give 70%? So I make 7 litres of hot tea with 3 litres of ice tea, mix them up and find out something and then give it to you, that should be preferred because that is the middle path, that is how preference has been shown, so that will become a lukewarm tea and that is something that we might not like.

None of you, the hot tea guys will probably go to a hot tea, they will probably pay 10 rupees and get hot tea from a local vendor and the ice tea guy will pay 30 rupees and get probably ice tea and nobody will have my drinks. Though they are free, though I am giving you lukewarm tea free of cost, probably you will not go there.

Because nobody wants that middle path, middle path does not walk as simple as that. Now then I can choose any one of you; I can choose 70 rupees, 70% guys or 30% guys. So I have a small problem here, now first of all is that there is a hot tea and ice tea, there are two different preferences that I have to understand.

Now I cannot create, I do not have the setup or I do not have the capital to create both ice tea and hot tea. If I have that setup, there is a best option, those who like hot tea they will raise their hands and I will give them hot tea. Then I will ask who likes ice tea, you will raise your hand and I will give you ice tea or pro level have both the options in my hotel and you come and pay a little bit of money and decide which one you like to have.

The problem is that in most of the cases we do not have that much of resources available, that much of expertise available to actually cater both the segments or multiple segments. Then I have to choose one segment. Now how will I choose? 70% prefers hot tea, 30% prefers ice tea, should I give a hot tea? Common sense says yes.

But a little bit of more common sense says that depends, what is the depends, this is a classic thing that we managers say depends, it depends on what? It depends on the very first thing is

the price that if even if our is a price of one cup of hot tea10 rupees, there is a price of one cup of ice tea let say 40 rupees or something like that, 30, 40 rupees.

So then whether 10 rupees and then comes margin, it is not exactly on price, it is on margin that in that 10 rupees you might have 2 rupees of profit or 3 rupees of profit and in this case probably you have if it is 30 rupees, you might have probably 20 rupees of profit, I do not know.

So, if that kind of a margin is also different then 3 rupees * 70 people and 20 rupees * 30 people, which one is higher than other that becomes one thing. Now the next thing that is important is also the resource availability, so I am very, I know how to create hot tea but I do not know how to create ice tea or I might need a fridge and etcetera for ice tea and I might need only a micro oven or whatever I do not know, some oven for hot tea.

So, the amount of resources required for hot tea will be much less than amount of resources required for ice tea, so that becomes also one issue when you try to decide that whether you will sell hot tea or ice tea. So they all of these together creates a problem and that is what we are trying to solve using segmentation, targeting and positioning.

So, as I have shown here that there are two segments, yellow segment and blue segment, yellow segment prefers attribute one which is price, yellow segment. So beauty wise both are same probably and the preference is a little bit more for the yellow segment than the blue. Blue segment is price sensitive and yellow segment is durability sensitive.

So prefer is given to various attributes, importance is given to various attributes for these two segments are different, it is absolutely like whether we have health care insurance or not, that kind of a segment that we talked about in week two.
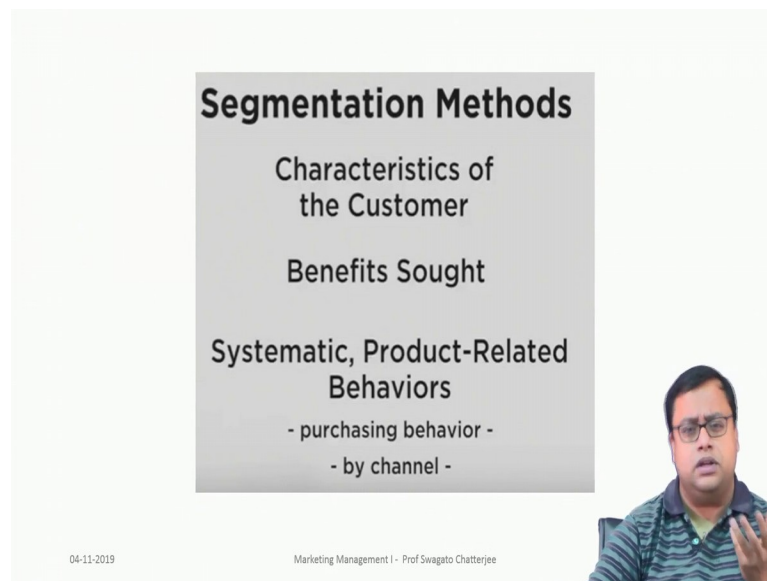
So, there are majorly four ways, how to do segmentation? So one thing that we have to understand properly that segmentation is the process and segments are the outcome, so if you, if somebody asks you to create segments, you do not say that ok, it has to be a geographical segmentation or demographical segmentation and so on.

You have to give me the outcome, the segments, so you have to tell about what exactly this person is, what is his preference, what is his profile. If you create a human being, how would he be like, how would he behave, what will he require and etcetera. Those kind of details has to be given when I talk about segments.

When I talk about segmentation then you can talk about ok, it is a demographic segmentation or whatever. So majorly there are four segmentation methods, characteristics of the customers, demographic. So we have created two more, demographic and geographic; both are characteristics of the customer, benefits sought by them and systematic product related behaviour.

So benefits sought by them is actually psychographic and then systematic product related behaviour is behavioural. So there are four types of segmentation and when I am talking about systematic product related behaviour, that can be different based on the purchasing behaviour and based on the channel choice kind of behaviour also, so it can be so many behaviour that you can track.

So, as I told based on what is market segment a group of customers who share a similar set of needs and wants and you should also understand and they said different sets of needs and wants from different segment, that is something that also important. So they are similar within and different outside, so that is something that is important and then these are the four methods as I told: geographic segmentation, demographic segmentation, psychographic segmentation and behavioural segmentation.

Now, this is where I actually and I will talk about many things here that get out of this four segmentation people, then the marketing analytics people or people who have worked on data base marketing and etcetera with lots of data, they say that, that the previous three segmentation, so as we have more and more data about a customer and if I have, if I can track the customer through the cookies, how he walks in the online wall, the www wall or how he behaves in my written stories, if I can track based on the over cameras or let say if I can have his purchasing behaviour, all of these things if I have then the segmentation should be done on the, based on the behavioural data.

So, you should ideally for all the marketing analytics purpose if you have been asked to do segmentation, you should do segmentation based on behavioural, why? Because that is the thing that you do not ask somebody, that is the thing that nobody can manipulate that is or can be very difficult to manipulate, that is something that is coming out and that is something that is the closest towards the ultimate outcome.

Ultimate outcome is the purchase, whatever is closest to that purchase, whatever behaviour is something that is important data. We will do all our segmentation and etcetera based on that

and once we have created the segmentation, understand the technology, understand what I am trying to say.

So once I have done the segmentation using behavioural segmentation, I will name the segments using the geographic, demographic and sometimes psychographic profile. I will do the segmentation based on behavioural segmentation, this is something is different from the classical marketing professors what they say or other practice.

But in the industry this is what people actually do that, we do the segmentation based on the behavioural data and we create segments and then even I have to identify the segment. If somebody comes in tomorrow and I have to identify whether he is falling in segment A or segment B and segment C, in that I will talk about geographic, demographic and psychographics.

So all I am trying to say is that if I ask you create four segments for let us say apparel buyers and you have done the segmentation and you are defining the segment now, so one segment is probably ethnic buyers. And you will say that ethnic buyers are somebody who are of let say from 20 to 50 years of age and they are mainly male and they will wear this and that and they like Indian products and they actually watch Indian movies more and they go to festivals, Indian festivals, they celebrate Indian festivals more.

If you actually talk about all of these things then you are actually talking about the demography, the psychographics of the person. Now that is the outcome that should come from the behavioural pattern of the customers, you should not start with the geography, you should not say that at first I will create a male verses female segmentation or let us say state wise, India state wise segmentation, north Indian, south Indian.

Because there can be so many aspects where that kind of segmentation might not matter, for example let us say preference towards, let us say preference towards education, so whether you prefer a English medium school or whatever your local language that medium school, in that kind of a situation probably whether it is a north Indian or south Indian might not matter, everybody who are middle class, upper class and etcetera and prefer a English medium school.

Because that there are certain things, so in that case probably gender is also not a very important variable, the moment the, so all I am trying to say is that if you do a gender based segmentation or if you do geographical segmentation, that might not be relevant.

So, what is relevant is the data that comes from the behaviour, you go and check that how people are searching about various schools in Google if you have that data, if you can track that data, how people are searching when they are planning to, it is one time or two time probably they do that. After that they make their kids go to a particular school and that is why they continue.

So, how parents are searching, which kind of names are coming at the top or which kind of these things they are following, which kind of let say Facebook pages and etcetera they are following, which schools names are coming more commonly in the Facebook talkings, that is something that if you can track that and you can then you can see that how that particular person, the Facebook profiles guy is behaving in other aspects, then you will know that how I can do behavioural segmentation.

Other, let say you can also do let say, I have my customers who are already there in my school, all my students in this case, you should not say customers, they are students. But if you, they are not for profit making but let say in other situation if it is hospital and etcetera which is a profit making organization or there can be some other services let say airlines, which is a profit making organization, then you can actually track the customer's behaviour.

That ok, so what kind of tickets he is buying, whether he is actually reacting to my promotional efforts, whether he is buying in sudden routes, whether he prefers only nonstop airlines or he also prefers some one or two stoppages in between if the prices are low, how much is the price sensitivity, all of these things are behavioural data. The price sensitivity, the preference towards once stop or two stop or the or whether he only travels during the holiday seasons or the festival seasons and etcetera, all of this data is behavioural data.

So, we can track that and then I can see that ok, people who are travelling during the holidays, whether I can go back and check their geography, from where to where they are travelling, then I know that ok, these are the guys who are actually staying away from their home and they are travelling back to their home. And the to and fro will give me an idea that where their home is and where their house, where their job location is.

So that kind of thing can be done after you create the segmentation that these guys are holiday travellers or probably festival travellers and then there can be certain travellers who are let us say business travellers who travel only for two days, three days and some distance and then they come back.

So the travel durations are small but very frequent, so these guys are business travellers. Then business travellers can be of different type, they can travel in business class, they can travel in economic class, their preference will also be different.

So all of this segmentation that we are doing when the data is available in ample level, we are doing behavioural segmentation. We are not doing geographic, demographic or psychographic segmentation.

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But still it was there, so what is demographic segmentation? We can do segmentation based on age, life stage, gender, income, generation, race and culture and so on.

For demographics, for geographic we also do based on country, region, country size, city or state, which kind of state etcetera. For behavioural we do like type of purchase decision or

decision making practise, decision making unit and etcetera and what kind of decision making, whether you are a initiator or whether you are the final purchase maker and etcetera, and socio-psychological is your attitude, your life style, your preferences towards your life what you want to be, what you want to do for people or for your family, for yourself etcetera, all these comes in the psychographics.

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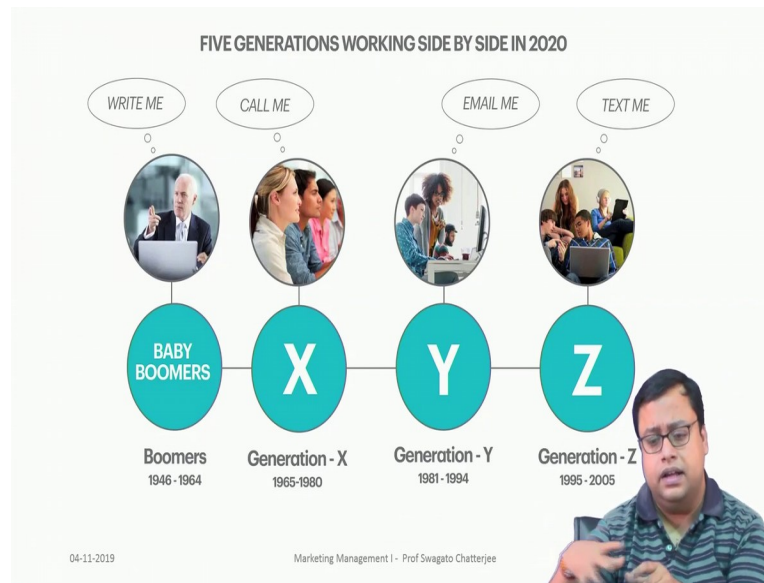
So, for example, one of the key thing that we talk about in a demographic profile when we actually do segmentation and we are defining the segments, one of the key thing while defining the segments we use is the generation.

So generation is the life stage when you have, when you are born. For example, Baby Boomers born in 1946 to 1964 and then the generation X, generation Y, generation Z, these are US data. In India we actually lag these people around by 10 to 20 years, depending on which part of India it is.

It will lack from 10 to 20 years from these Baby Boomers X, Y, Z. So these are all generations that we have seen, they are for the better definitions, so how they are different? The Baby Boomers were later people and then telephone came and then some people have seen the www, I would say era and then now people have seen the mobile Internet era. So things have changed over time.
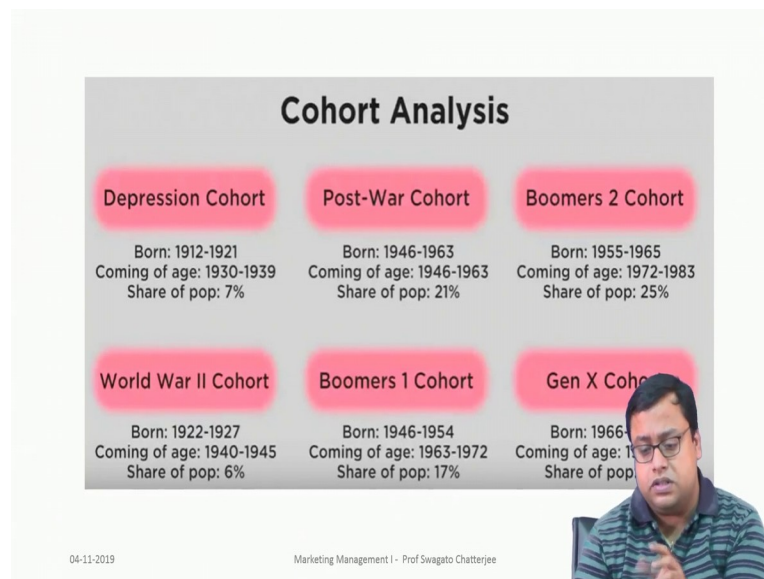
And we also talk about cohort, what is cohort? Cohort is something is something where people have similar kind of life experiences, this is not about when they are born or what they are not born. It is about whether they have had similar kind of life experiences or not, for example there is a depression cohort, there was a World War 2 cohort and there is a World War 1.

So, the born was little bit ahead of that but when they came to age, when they become consumers, what they experienced is something that matters, so for example let say I and somebody else who have born in different time period can be in the same cohort if we are in different, we are from different country.

So for example, India is lagging as I told that India is lagging a little bit, so India's guy who is 20 years age and some other less developed country's guy who is a 40 years age might be experiencing this thing at the same time, some facilities at the same time, so they are in the same cohort.

So depression cohort, post war cohort, boomers, gen X, gen Y cohort. Gen Y cohort are people how are millennials, so who are born in 1977 to 1997 and they came to age in around 90s or 2000, they have seen the 2 K problem and they had, their share of population is very high, 30 percent of the overall population of these people.

They like free content, they pride community oriented stuff, they like telecommuting mode. They like everything social or they like things which are wireless, because wireless technology is something that they have seen. And what they dislike? They dislike anonymous mass marketing. So these type of people you cannot do mass marketing.

People who are of previous age pre-evolved still watch T.V or radio and etcetera. For them mass marketing works, but for these kind of people who are more in the Internet or probably has shifted from radio or T.V to Internet, for them targeted marketing works more. So anonymous mass marketing is not the thing.

Anonymous is another thing, they want security. So anonymous is something that they do not like at all and they do not like beaten paths, so which has been already done or restricted access. For example, there were problem with this Internet neutrality and etcetera, so there is a lot of people who raise their voice. All these people you will see that they are of generation Y people, most of the people who have raised their voice.

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And then the millennial cohorts who are big shoppers who still now co-purchase with their family members, mostly parents, but they have a say. So there was a time when we were kids probably around 20 or 30 years back, we did not have much say in the purchasing but now that information is available and millennials are having that information in their hands.

They are using that Tab and etcetera, they are watching T.V and whatever various other things. From the very little age they have an opinion about many things and people have understood that we should give importance to the opinions of the kids as well. So they, when they have opinions, they are co-purchasing with their parents, it's true, but they are putting their say in what they will buy and they will not buy.

So this kind of behaviour is matter; so whether they were born, whether they are male or female does not matter but they have an opinion, this is something, this is the behaviour that matters. So all information is experienced electronically by this people, they love multi-tasking, they are co-creators. So co-creation is a marketing concept that is coming up.

You will see that new tools are saying that ok, you design your own T-shirt, you design it and I will print it and give it to you. That is all this my job, you design your own card or mark or whatever and I will just print it and give it to you, it is a co-creation.

So, co-creation is something that is coming up, so there peoples are saying that ok, you come up and you say something and we will create a course together rather than or we will create a product offerings together. In sub way and etcetera, you will say that people are saying ok, you tell me what kind of food items I will give, what kind of sauce I will put, you tell me

because I do not know and I want to give you those choice. Co-creation is related with consumer empowerment that you are inviting customer to take the choice.

He will say that what he will like, now you will not dictate him. So that kind of things millennials like and that is something that is being given. Another thing that is becoming more and more important in marketing is green marketing, so because these millennial are socially responsible, they are saying that ok, I do not want to have an AC or I do not want to actually consume something which creates any kind of environmental problem.

So this social responsibility all of a sudden has become a major issue because millennials actually has, they behave like that, they like, they do not like concrete jungle, they like something which is more environmental. So socially responsible consumption has become an important factor, these are the people who have experienced all of these things together.

So global warming was an issue because global warming actually affecting the atmosphere, actually affecting the outside world. It is not something that has happened 20 years back, when we were kids we did not experience that much, but now kids are experiencing that and they are listening to that and information is more and more available in their tip of their figures.

So that is why they are more aware, they are more responsible and that is actually affecting in their behaviour also. Now behaviour is something that we can track, their internal things is very difficult to track in a large scale, it is further difficult to track, so that is why we do behavioural segmentation.

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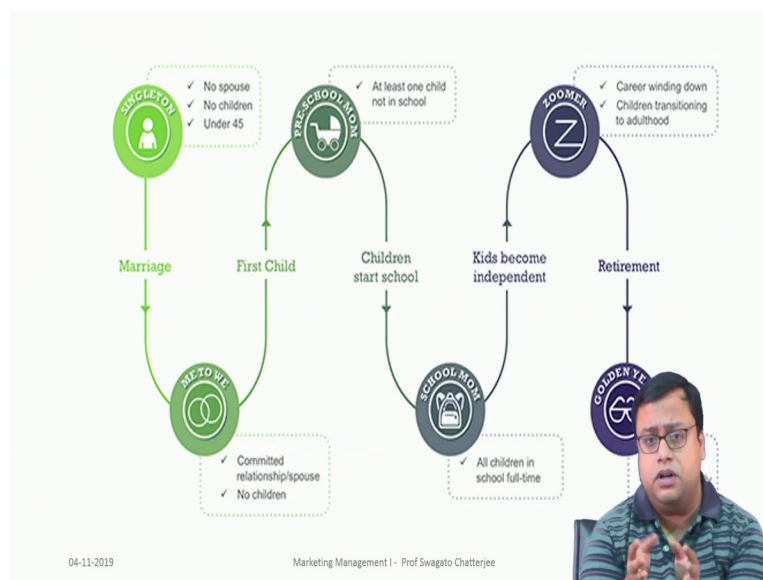
Another important thing that we try to say is life stage or gender. So gender and to be specific in gender, I would talk about female as a gender, female as a gender is very lucrative or I would say very attractive for a marketer, why? Because female has multiple life stages and those life stages are very different from male and from that, from these changes of life stages their preference, their thinking process, what they give more importance, what they give less importance changes heavily.

And more so for a women who is in urban environment, for example when he is a singleton no spouse, no children, under 45 then she goes for a marriage, so under 45 is not the case for India. In India, it is probably under 25 and then she goes for a marriage.

So pre-marriage and even probably when you are a kid versus when you are a teenager, male versus female, female face those teenager related issues and they have a different life experience, different kind of views about the life. You will see that women become very matured, there is difference between how a male child and a female child gets the maturity level in terms of cognitive ability, emotional quotient and etcetera.

All of these things also impact their behaviour. Then when you marry and then all of your decisions all of sudden from me oriented it becomes we oriented, so composite relationship for spouse at that point you do not have a relation, do not have a kid.

But you try to take decisions which is good for both rather than one single person and it is seen more for female than male, it has been very well researched that female are more community oriented, male are more I would say independent in that way. So female decisions are always we decisions and that is something that marketers actually capture. You would see lots of adds like Saffola ad, people they target the female, they say that ok, you are the woman of the family and you have to decide that what kind of food should come, what kind of I would say even what kind of mosquito coil will actually work in your family, that is something that is women's decision.

One thing is they are homemakers. Another thing is they are a we people, so they actually do not think about themselves, they think about many people. And then you have a first child, all of a sudden it becomes very huge importance you start giving on hygiene, huge importance you start giving on let us say sanitation and etcetera etcetera, then children go to school, your time, so time crunch is high here. The time crunch goes down here, probably your I would say evenings are more free, not evenings, at least the afternoons are more free and when the

afternoons are free, you have to do something. So you go and watch probably a TV serial or go and shop or you work.

So you have to actually create solution or you have to think that this kind of a, there is some open space that is available and how I can capture that open space of that person and probably some, I would say some amount that they are willing to pay for that open space also.

Open time space I am trying to say, that is something that the marketers identity and then kids become independent, sometimes the second kid comes up. If the second kid comes up, the level of I would say importance on sanitation and hygiene that you have given in the first kid does not, is not so strong in second kid because in second kid's case you know, so for example, I will give a personal example. When I had my first kid probably, I have only one kid, when I had my kid, my wife when she was deciding that whether we will go to travel in some place, then major important factor for her to choose the hotel was nothing else but the food whether she can go and cook in the kitchen or not.

Now big hotels will not give you that options probably but all this bed and breakfast kind of things will give you that option. So this is something that big hotels can think about that if they have to capture this kind of people, they should give the option of if somebody wants to come into the kitchen properly and then want to make his own food, they should give that option also, that because otherwise people like us will not go to a big hotel, we will go to a good bed and breakfast when we have a small kid and because that is something that is most important for a mother who is a mom of a first kid.

Then who is a mom of second kid probably will not be that much focused on the kid's preferences because he knows that ok, it will manage, I have experienced it, it is not so scary anymore, I will manage it. So all I am trying to say is women life stage is very important thing.

And one point of the Thomas Cook if it is not there anymore, they actually created a holiday package targeted towards women, so cooking classes, cycle trials, spas and then this women group, the group of women who will actually avail these services depending on the group, depending on the age and preference and etcetera of the, the behaviour of the women, the offerings are also different. So cooking classes are not something that are young women will want to have, very young or very college going women group, they will want to go for a spa probably or they probably want to go for some pubs and etcetera, some liquor tasting and etcetera.

On the other hand woman who is more of a family person, some 4-5 people or very elderly persons, elderly persons might go, want to go to a, go to historical places or places which are more religious and middle aged people might want to go for cooking classes and cycle trials and etcetera.

So, depending on which kind of woman you are, which age group, which life stage and etcetera, so all of these things I am talking about that these are all geographical segmentation but it is actually geographical segments, the behaviour is similar and you are creating segments like this based on geography, based on demography and etcetera.

So I will stop at this point and I will continue on discussing about segmentation methods and targeting, positioning in the next video. Thank you for being with me. We will continue in the next video.