

Business Development From Start to Scale
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Week - 05
Connecting with Customers
Lecture - 21
Customer Characteristics

Hi friends. Welcome to the NPTEL course Business Development from Start to Scale. We are in week 5, with the theme of Connecting with Customers. In this lecture, the 21st in the series we discuss the topic of Customer Characteristics.

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Customers and Consumers

In sales and marketing parlance, the terms customers and consumers are used almost interchangeably. Even in our course, we do so. Nevertheless, it is necessary to note the important difference.

Customers are the individuals or entities that purchase a product or service

Consumers are the individuals or entities that purchase a product or service for their personal need and use

A dealer is a customer for an automobile firm. The dealer, in turn, has many customers and consumers.
A dealer ought to know and understand the ultimate consumers for effective marketing.

Typically, consumers are the customers (as contrasted with intermediary customers such as the dealers) who shape the demand

Indeed, trying to segregate customers and consumers in a vast market is like searching for needles in a haystack. The interchangeability of definitions is supported for all practical purposes.



In sales and marketing, often we use the terms customers and consumers almost interchangeably. Even in our course we are doing so. Nevertheless, it is important to note the

difference. Customers are the individuals or entities that purchase a product or service. As an example, if the administrative manager of a company buys a product or a service from the vendor, the administrative manager is the customer.

However, the employees who actually use the product or services are the end consumers. As a further example, a dealer is a customer for an automobile firm. The dealer in turn has many customers and consumers. A dealer ought to know and understand the ultimate consumers for effective marketing. Similarly, the company also must know the pulse of the consumers because the demand at the consumer level is the one which keeps the marketing value chain working.

Consumers are the individuals or entities that purchase a product or service for their personal need and use. Typically, consumers are the customers as contrasted with intermediary customers, such as the dealers who shape the demand. I hope the difference is quite clear.

Indeed, trying to segregate customers and consumers in a vast market is like searching for needles in a haystack. The interchangeability of these definitions is supported in the practical sense as far as our course or any other strategic or business development course is concerned.

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Individual Consumers and Business Consumers

The markets may comprise individual consumers or business consumers. Individual consumer markets and Business consumer markets have similarities but also have significant differences.



Consumer markets comprise individuals. Producers and sellers sell their products or services directly to the final customers.

Business markets comprise organisations, businesses or entities that acquire products and services for use in the production of other products and operation of services

Consumer markets are dynamic with fast-changing needs and wants with susceptibility to how the products and services are positioned to fulfill them.

Business markets are relatively stable and structured, with needs and wants emerging from the strategies, business plans and operational plans the companies have

Strategic marketing starts with deciding whether the company should stay with only consumer markets or business markets or even both together.



But there are important differences within the consumer family itself. There would be individual consumers and there would be business consumers. Individual consumer markets and business consumer markets have similarities, but they also have significant differences. Consumer markets comprise individuals, producers and sellers sell their products or services directly to the final customers.

In fact, a whole new aspect of consumer marketing is emerging with the direct to consumer selling. Consumer markets are dynamic with fast changing needs and wants. And they are susceptible to how the products and service are positioned to fulfil them. We are all consumers and whenever we go to a super store and look at the products, our needs, our fulfilment requirements keep varying.

When we look at an advertisement our perception towards a product undergoes a change. Business markets are more stable, they comprise organizations, businesses or entities, which acquire products and services for use in the production of other products and operation of services. This complex definition is actually very clear. It is the value chain of the business.

An automobile firm buys the components from the auto component manufacturers. So, it is a B2B business dealing. And the idea is to use the components in the automobile manufacture. We as a family firm may buy a computer for home office use, but the home office is going to be used by the other members of the family office. So, at a micro level as also at a macro level, we have business markets of different types.

The business markets are relatively stable and structured. The needs and wants keep emerging from the strategies, business plans and operational plans that the companies have. Typically, a business market is governed by the budget that is drawn up for the business under various heads. Whereas, consumers also would have a family budget, the needs are quite dynamic.

We have to decide as strategic marketing personnel whether the company should stay only with consumer markets or business markets or even both together. If you look at the edible oil industry, you have consumer packs that is pouches, pet bottles and cans. We also have tins. Tins are generally used for the business markets such as hotels, restaurants, and cafes, whereas, consumer packs are used for individual consumer purchases. You have mineral water suppliers.

They supply in terms of pet bottles as well as in terms of the purified water carriers. Now, these purified water carriers, again could serve the individual markets as well as the business market. This classification of what constitutes a consumer market and a business market is variable based on the product and the usage pattern.

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Differences between Consumer Markets and Business Markets

The differences between the individual consumer and business consumer markets are illustrated below.

Factor	Consumer Markets	Business Markets
Buyers	Huge in numbers	Relatively fewer
Products/ Services	Common	Common and Specific
Access	Relatively easy to access	Relatively hard to access
Branding	Influences customer perceptions	Has low impact
Packaging	Aims to attract consumers	Confines itself to product protection
Promotion	Influences the customers	In some cases, promotion may even be prohibited
Demand	Relatively elastic	Relatively inelastic
Buying Process	Direct, in-store or online	Procedure-bound, can be through intermediaries
Decision Making	Individual, at times influenced by others	Multi-tier, with levels of authority
Code of Conduct	General buying and selling principles	Ethical code of conduct for both buyers and sellers, with consequences for breach
Extent of Contract	Limited to individual purchases, with the seller expected to cover warranty	Could be project-specific, long term; Strong warranty and AMC requirements; However, not automatically renewable.

The choice of the market to focus is a combination of strategy and marketing, keeping the above in mind.



At a macro level there are significant differences between consumer markets and business markets. In respect of consumer markets, the buyers are huge in numbers literally lakhs and even millions. In respect of business markets, the buyers are relatively fewer.

The products and services are common across the consumer markets. A toothpaste is a toothpaste across India, depending upon the nature of the toothpaste as well as the brand whereas, the supply of a particular adhesive is common as well as specific. That is you have adhesives for different purposes to join wood, to join wood with the floor and also steel with steel as an example.

Access, consumer markets have got relatively easy access. Products are available in every nook and corner from [FL] shop to supermarkets whereas, the business markets are relatively

hard to access. You need to take appointments, you need to go to the individuals, discuss, negotiate and finally, win an order.

Branding is very important in consumer markets. It influences customer perceptions. Over time people forget the product and they think about the brand. In business markets, the brand has low impact because the business buyers will be testing the product on their own, and they have got different parameters to judge whether the product and the brand, fulfil the standards.

Packaging aims to attract customers and consumers in consumer markets whereas; in business markets its role is to protect the product. Promotion influences the customers in consumer markets whereas, in business markets, the promotion itself may be prohibited.

Demand is relatively elastic that is if you offer lower prices consumers will respond with higher volumes. Price elasticity of demand is very high in consumer markets. Whereas, in business markets price elasticity of demand is very low. Once the product is established for its capability and serviceability, then the demand remains stable.

Buying process is direct in store or online for consumer markets. Whereas, buying is quite a procedure bound activity in business markets. It times at times it can be through intermediaries as well. Decision making in consumer markets is individual driven. At times influenced by friends and families whereas, the decision making in business markets is multitier with various levels of authority for various roles.

Code of conduct is in terms of general buying and selling principles. That is the seller must provide the best quality products with appropriate visibility, and the consumer has the choice to look at various options and then buy whereas, in business markets the code of conduct is governed by ethical considerations explicitly.

For example, the vendor has to sign a code of conduct with the business administrator saying that he would not be indulging in any corrupt or unhealthy practices. So, both buyers and

sellers have to conform to an ethical code of conduct in the buy sell transaction and consequences would be there for breach of those agreements.

Extent of contract, these are limited to individual purchases, with the seller expected to cover warranty and that emanates from the manufactures warranty rather than from the sellers warranty. Sellers liability in, sale of a product is very limited whereas, the manufacturers liability in the sale of the product is standardized and across the board for all the consumers.

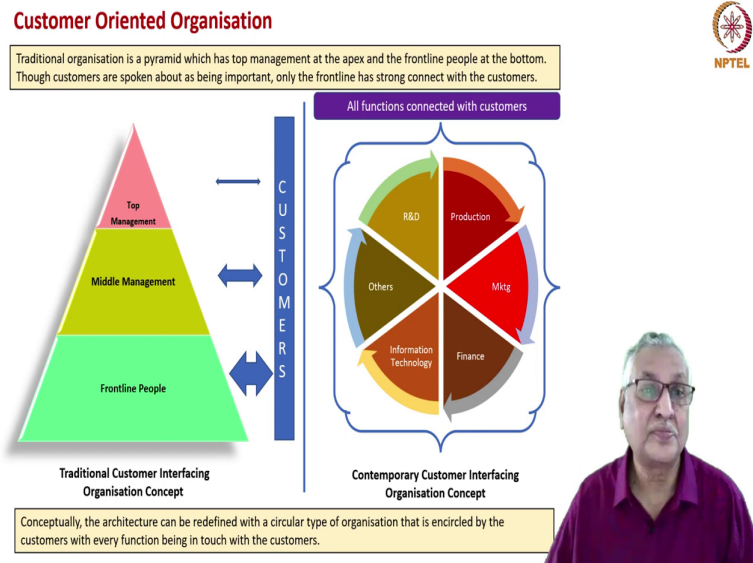
In respect of business markets, it could be project specific extent of contract. It is long term. There would be strong warranty and AMC requirements however, not automatically renewable.

In certain product categories for consumers such as white goods, there tend to be AMCs as well, that is annual maintenance contracts offered by the manufacturer, which makes life easier for the consumers.

The choice of the market to focus is a combination of strategy and marketing keeping the above in mind. Again, coming back to the foods or edible oil industry, the companies have got the option to completely stay away from the business markets and focus only on the consumer markets.

But on the other hand, if the company believes that the business markets which may include super chains and modern trade channels scattering to consumer markets, and they would be the proxy in future for consumer markets, they may try to satisfy the business markets to an equal extent. So, who would serve as proxy to whom is a point to be understood when the markets are evolving.

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What is the customer-oriented organization? As we know traditional organization is a pyramid which has top management at the apex, middle management virtually in the middle and frontline people. In terms of the nomenclature, frontline people are officers or executives who work in the field.

Middle management people are managers to senior managers to general managers and top management are CXOs and CEOs and all of these layers have to face customers in one way or the other. But in a traditional organization, although the claim is that the organization is customer oriented, it is the frontline people that keep meeting the customers all the while.

And that customer connect keeps on reducing as an individual progresses of the ladder. Middle managers has the role and scope to do less of customer connect, whereas, the top management has even lower and smaller role. So, this is the traditional customer interfacing

that occurs in a pyramid organization. But I would suggest that we should have a circular view of organization.

We should have a paramedical view of organization. This may not be the real view of a structure being implemented in practice, but conceptually to understand customer interface, we should see the organization as a circular structure with, R and D, production, marketing, finance, information technology, and others having an equal role.

And all the functions must be equally connected with the customers and information technology leader cannot do only IT related coding processing and architecture development. And IT oriented leader must go to the field understand how the sale is taking place at various levels, distributor, retailer, and customer and understand how information technology can provide real time data for the consumer's needs and wants to be reflected to the company.

And vice versa, from the company how the supply chain can operate to satisfy the consumer needs. So, the contemporary customer interfacing is a circular encompassing all encapsulated image of customers surrounding the company. This is very important for us. This difference between the pyramidal organization which is the reality, dealing with the customers with focus only on the frontline people meeting customers, is to be changed conceptually into a circular type of organization.

Wherein, every division of the company, every function of the company, meets with the customers on a regular basis. And this is the true definition of a customer centric organization.

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Two Examples

The leaders at the apex, the CEO and the CXOs, tend to be busy with matters of strategy and execution. They do recognise customers as the foundation of business. Yet, customer connect is left only the frontline, especially the sales team. Exceptional leaders at the top, however, make it a point to connect with the customers.



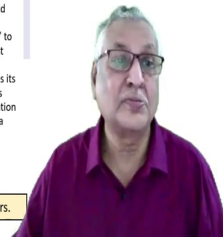
Azim Premji

Azim Premji, when he was fulltime CEO at Wipro, made it a point to personally visit the clients, whether small or big. He sought feedback from the teams he met during the visits even as he shared his views on technology and management with them.



Mike Ball

Mike Ball, when he took over as the CEO of Hospira, the global injectables and medical devices major in 2011, the first thing he did was to go on a "listening tour" to understand first hand how his company serves its customers. This laid the foundation for his making a difference at Hospira.



The Chief Marketing Officers should set the tone at the top in customer interface by frequently meeting customers.

There are two examples of the leaders at the apex, even in a pyramidal organization attempting to be close to the customers. Typically, as we have seen in the earlier lectures, the prime activity of the CEO and the CXOs is in terms of setting the vision strategy and execution of the strategy.

They do recognize customers as the foundation of business. However, they do not have time the way their tasks are organized to go into the field. Yet, it is important that the leaders participate in the programs of customer connect. Exceptional leaders at the top have proved that they can spend time to connect with the customers.

I have two examples here Wipro's Chairman Azim Premji, when he was full time made it a point to go and meet all business clients whether the businesses are small or big and whether

they actually buy Wipro products or not. He used to seek feedback from the teams that he met during the visits.

And he also shared his views on technology and management with them. And that is how the customer bonding developed. And the in the view of the business customers and the rank and file of the organization, Azim Premji became a stalwart in information technology who is customer centric. And that obviously, provided greater strength for the customers to view Wipro as a reliable partner.

I take another example of Hospira, a company where I worked. When Mike Ball took over as the CEO of the company, his first task was not to have leadership meetings. He went to every nook and corner of the world, where Hospira products particularly the injectables and medical devices products were getting sold.

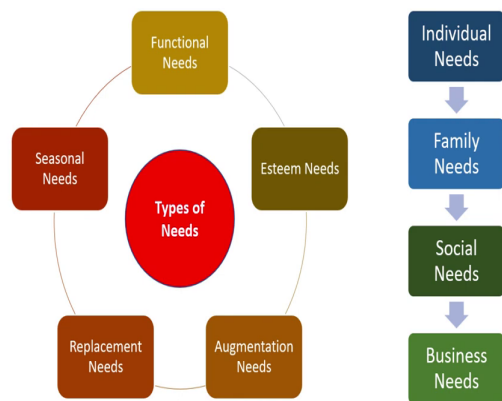
And he called it a listening to, because he said that he had to first understand how the company views its customers and how the customers view the company. He laid the foundation for transformation of the company based on the listening tour and his understanding of what needs to be done to make a difference at Hospira.

Invariably, the chief marketing officers should set the tone at the top in customer interface by frequently meeting customers. And there should never be arranged meetings, there should be spontaneous meetings with genuine understanding of the customer requirements that is taken up as the goal.

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Who are Customers?

A customer is a person or entity that buys goods and services from another person or entity paying the consideration in cash or kind. A customer always judges the purchase through the filters of need fulfillment and price affordability.



The needs tend to range substantially – from regular daily basic needs to periodic evolved needs. The needs can be those of individuals or institutions, as considered earlier.



Who are customers then? A customer is a person or entity that buys goods and services from another person or entity. And in doing so, he pays some consideration for the purchase of good and service. A customer always judges the purchase through the filters of need fulfilment and price affordability. There must be a need for the customer to make a purchase nobody makes, although some could make a purchase, just for the egoistic needs or esteem needs.

So, the types of needs that are important to be catered to by companies or functional needs, that is you require a product for undertaking an activity of the user. That is the functional need. Second, it should fulfil esteem needs. Esteem is an important aspect. Esteem is not ego; esteem is an important need of social acceptability and that is why we have different types of products with different capabilities.

Particularly, in the products which move in and around the landscape. Esteem needs are important. Augmentation needs, that is you already have something, but you would like to enhance capability. You have a computer, but you would like to have redundancy therefore, you have another laptop with you.

You have a passenger car for your official purposes, but you also have a family need to go on the weekend somewhere therefore, you have a larger car. So, this is the augmentation need. Then, there would be replacement needs. Your product has out utility and therefore, you place it.

Then, you have seasonal needs, depending upon the festival season or the summer and winter seasons, you have certain important distinctive requirements. So, customer needs are of different types which need to be fulfilled by the company. The individual needs, the family needs, the social needs are in one cluster. Business needs are another cluster. These needs tend to range substantially from regular basic daily needs to periodic evolved needs.

You may like to have a lift installed in your two-floor house, but that is one time need. But the requirements of maintaining the lift could be annual. The requirements of keeping the lift elegant through cleaning materials could be daily. So, the product which you have taken also has certain additional needs that are a part and parcel of that product. And that also needs to be taken care of by the companies.

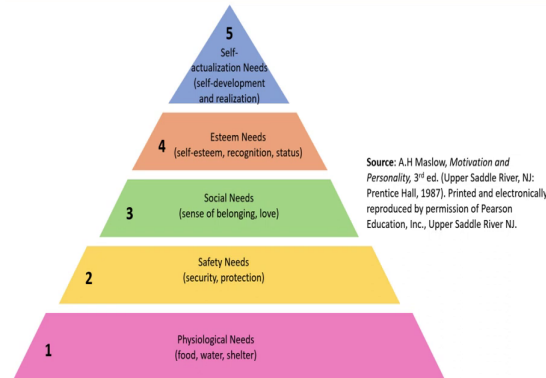
It is not important for a company to sell only a vacuum cleaner. The company must also sell all the accessories that are required for the vacuum cleaner. And if the vacuum cleaner is of the bag type vacuum cleaner, to be able to provide the bags at an affordable price is the task of the company.

So, the understanding of the regular basic needs versus periodic evolved needs is not merely in terms of just a product nomenclature. Even a product which is seemingly an annual purchase will have day-to-day needs as well.

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Maslow Need Hierarchy

Human needs are considered to be driven by the hierarchy of needs postulated by Abraham Maslow in his landmark work. While the need hierarchy is proposed for individuals, the hierarchy applies for institutions as well.



Different products meet different needs though each product may meet more than one need. An automobile meets the functional need for transportation but also meets the esteem needs of the customer, in a different feature mix.



Maslow need hierarchy is something which every student of management knows and understands. Human needs are considered to be driven by the hierarchy of needs. That are postulated by Abraham Maslow in his landmark work. The need hierarchy is proposed for individuals particularly with an organizational setting.

But this hierarchy applies for understanding the market needs and also understanding the institutional needs. At the bottom of the need hierarchy lies the physiological need structure that is we need food, we need water, we need shelter. Second, we need safety, security, protection that includes in the organizational context a job and a career.

At the third level, we have social needs, the sense of belonging and love. And at the fourth level, we have esteem needs that is self-esteem recognition and status. And at the fifth level, we have self-actualization needs. That is needs related to self-development and realization.

These needs though individual and though developed in an organizational context can be easily applied for a diversified manufacturer by providing various products. Even a company which is not let say in real estate and offering a house could satisfy the physiological needs in different manners that is why we have so many companies offering building products, companies offering bathroom fittings, companies offering paints.

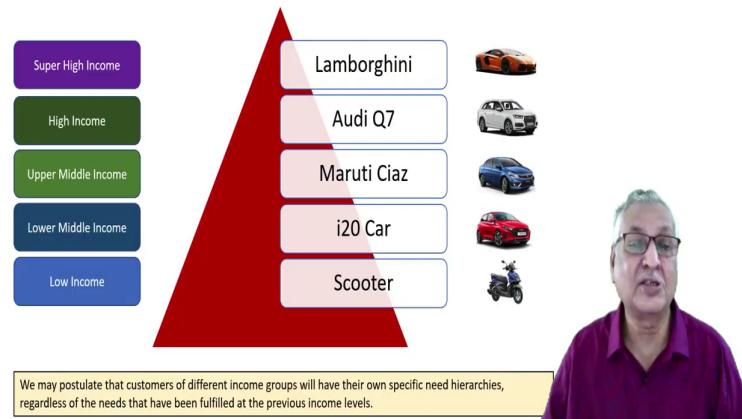
So, each and every product of a company could go into any of these 5 categories. Different products meet different needs though each product may meet more than one need. An automobile meets the functional need for transportation, but also meets the esteem needs of the customer, in a different feature mix.

So, it is important to know that the needs could be overlapped by one singular product. Whereas, in certain other cases a product could only meet one type of need.

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Limitations of the Need Hierarchy

The Maslow need hierarchy postulates that once a basic safety need is fulfilled, the individual moves to the next higher order need, and so on. However, in practice, based on demographic and socio-economic factors, different products from the same product category may fulfill multiple need levels of an individual.



Let us take some examples. We have here the pyramid of needs. At the bottom, we have scooter or a motor cycle, and it caters to the relatively low-income state of the society. Next, you have an i20 car, and it caters to the lower middle-income category of consumers.

Then, we have Maruti Ciaz, which has upper middle income as the goal of marketing. Then, we have Audi Q7, which caters to the high-income group. And there could be Lamborghini, which caters to the super high-income group or the real luxury group, the real esteem driven group.

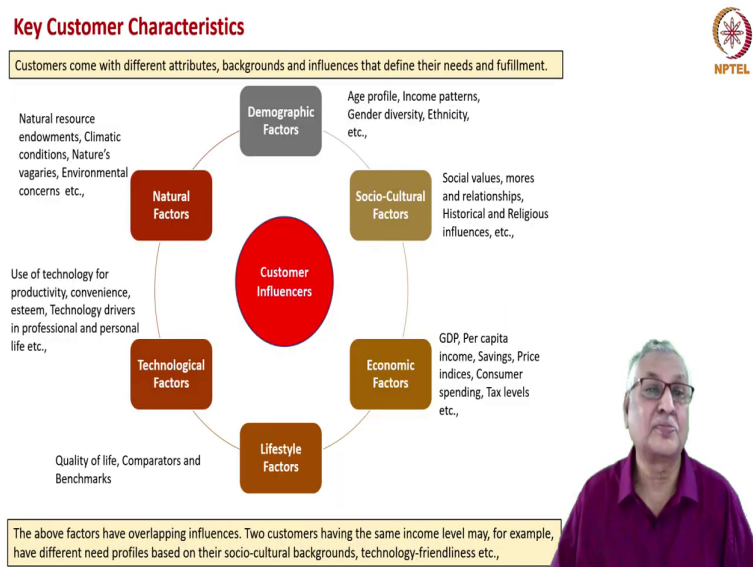
The Maslow need hierarchy postulates, that once a basic safety need is fulfilled the individual moves to the next higher order need and so on. However, in practice particularly in marketing

practice, based on demographic and socio-economic factors different products from the same product category may fulfil multiple need levels of an individual.

We may postulate that customers of different income groups will have their own specific need hierarchies, regardless of the needs that have been fulfilled at the previous income levels. So, even if a low-cost transportation service has been used by the consumer at some point of time and has since moved to a higher order personal transportation need.

It does not mean that the consumer would not use the lower order product or service at a later time in future. So, this is a kind of interconnected need hierarchy that is relevant in the marketing system.

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So, we have needs, we have customers. So, can we have a play on the customer characteristics? Customers come with different attributes, backgrounds, and influences, and they define the needs and fulfilments. The demographic factors that is the age profile, income patterns, gender diversity, ethnicity etcetera define one type of need.

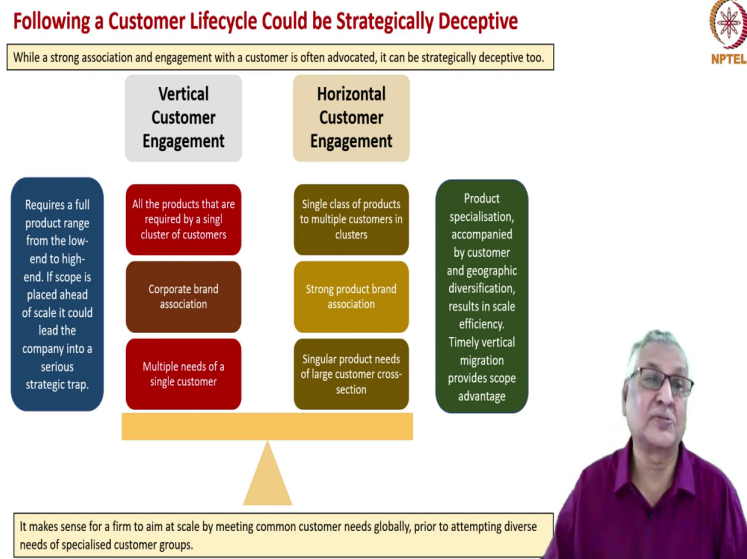
Socio-cultural factors, that is social values, mores and relationships, and religious influences define the other type of need. Economic factors such as GDP, per capita income, savings, price, indices, consumer spending, tax levels etcetera define the third aspect of need. Some customers are very much concerned about quality of life, comparator and benchmarks, that is a different type of need.

Use of technology by itself is a need for some consumers, productivity, convenience, esteem are all important for tech driven customers. Then, you have natural factors such as resource endowments, climatic conditions, nature's vagaries, environmental concerns etcetera.

Certain fruits and vegetables are available in certain seasons of the nation. Consumers get trained and tuned to those seasons and their demand spikes in those kinds of seasons. So, customers also get used to the availability of products and services. But by enlarge consumers are influenced by their demographic environment, socio-cultural environment, economic environment, lifestyle environment, technological environment, natural factors.

As I said, they have overlapping influences. Two customers having the same income level may for example, have different need profiles. Even if you are an upper middle-income person, you may like to go to your Dhaba as much as to a 5 star restaurant. It is quite possible. Similarly, you may buy a normal pen for official use although you could have bought a more impressive. So, key customer characteristics are a bit difficult to be put into straight jacketed classifications.

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Therefore, following a customer life cycle could be strategically deceptive. We cannot say that my company and my product range is only for upper middle income group people. You cannot say that I will manufacture products and deliver services only for the lower income group. You have to be engaged with customers both vertically and horizontally.

Vertical customer engagement requires this. All the products that are required by a single cluster of customers is one aspect. Second, there must be strong corporate brand association. And third, multiple needs of a single customer must be met in vertical format.

What does horizontal customer engagement mean? A single class of products must cater to multiple customers in clusters. Strong product brand association and singular product needs of large customer cross section. So, if you want to be engaged vertically with customers

across, let us say all the income groups, you require a full product range from the low end to the high end.

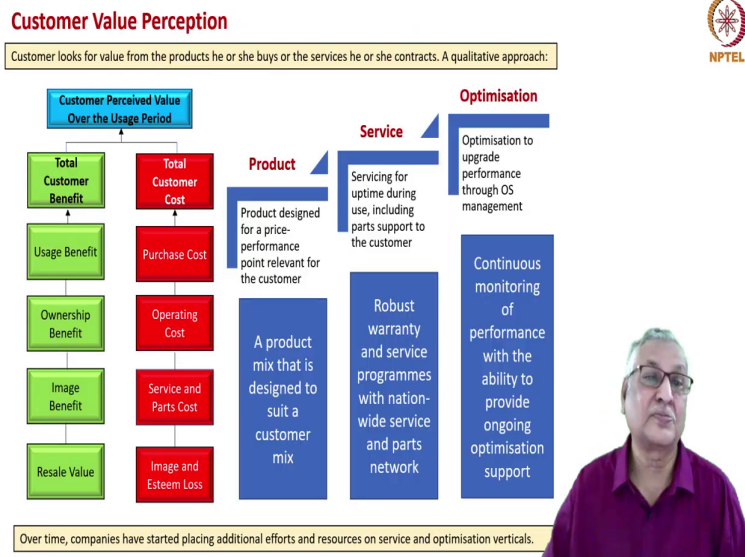
And if scope is placed ahead of scale, it could lead the company into a serious strategic trap. Why? You are trying to make a product for everybody in the income value chain or in the customer characteristic circularity, and that would impose significant complexities as well as cost on the manufacturing and supply chain systems of the company.

If you want to be horizontally engaged, you need to have product specialization because you would develop a product which is so good. It could be accepted by customers across the regions. So, product specialization is very much important for horizontal customer engagement. And that must be accompanied by customer and geographic diversification. Then, you get scale and then you get efficiency.

Timely vertical integration provides scope advantage as well. So, it makes sense for a firm to aim at scale by meeting common consumer needs globally, and then move into the vertical engagement. It would be somewhat full hardy for a company at the very initial stages to aim at providing a product for every customer in the total customer universe that would be inappropriate and also counterproductive.

On the other hand, try to make a product that could meet as many needs of the customers in as many geographies. Build scale for that product, and then move to a different kind of product which could meet similarly other customer needs in other geographies as well. So, judicious horizontal customer engagement followed by vertical customer engagement is the best way in which strategically the customer life cycle could be integrated into the business plans.

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Why should a customer buy your product? Customer looks for value from the products. He or she buys all the services, he or she contracts. A qualitative approach is as follows, because we always hear this phrase customer value. This customer value is not real. It is a calculation made by the customer within his mind. It is a perceived value.

Why does it become perceived value? Because you are trying to influence the customer through your communication that this is the value that I am giving through the product or service. However, there must be matrix for each of these things, and there are in fact, the total benefit a customer gets from a product is the combination of the following.

The benefit of using the product, the benefit of owning the product, the benefit of getting an image as a user of the product, and the value you get at the end of the life cycle or when you

want to dispose of the product. These are the 4 benefits that are provided. Some are quantifiable and some are not quantifiable.

But they do exist and you tend to give some weightage to these benefits in perceiving the value of the product. The total customer cost comprises the purchase cost, the operating cost, the service and parts cost, and even image and esteem loss. Why does image and esteem loss occur?

The image and esteem loss occurs because when you buy a product, it could be serving a particular image level. But over a period of time that is seen as an absolute product. Then, you lose the image. You cannot carry a old generation smart phone in an evolved office environment while that is your personal choice.

There could be some loss of image and esteem because of such use. A CEO cannot probably use one type of dress which is used by him or her when the person is at a basic stage of life. There is nothing wrong about it, but there could be image and esteem loss. So, technological absorbance drives the loss of image and esteem.

Then, there is another aspect to value perception. This value perception occurs for the product for the service and through the optimization route. Every product is designed for a price performance point that is relevant for the customer. A product mix also designed to suit a customer mix.

When you look at the packs that are offered by FMCG companies, you have individual packs that is the smallest pack for one time use by maybe a child. Then, you have large packs which can be used by group of family members, again within a day. Then, you could have family packs, wherein the product could be used over a period of time by all the members of the family.

If you look at the Cadbury chocolates, you will find the range from the smallest candy bar to the largest family pack. That is how the product is designed. The service for the uptime during use including part support to the customer is the very purpose of service. If you have

robust warranty and service programs with nationwide service and parts network, you are providing a similar mix of service optionalities for a customer.

You would like to have a product which can be serviced in any part of the country, even though you have bought the service in one particular part of the country. Interoperability is an important aspect of service infrastructure. Interoperability is an important aspect of consumer decisions in respect of service.

That is why we have Kendriya Vidyalayas all over the country because students can move from one Kendriya Vidyalaya to another Kendriya Vidyalaya with the same syllabus, same ecosystem, and transfer ability. Then, we have optimization. You need to optimize your product and service based on the operating system.

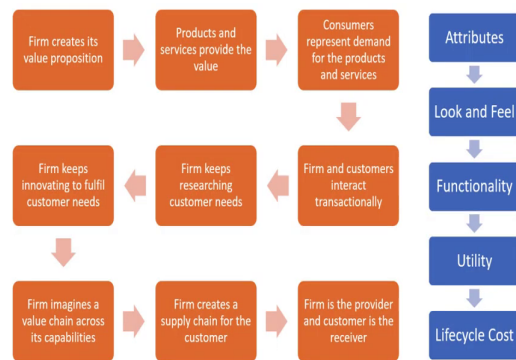
That is as important as the product or service. So, continuous monitoring of performance with the ability to provide ongoing optimization support. Today, we keep getting periodic updates to our mobile operating systems from the providers of the mobiles. And how does that happen? Through internet downloads.

And each optimizes the mobile either to fix the issues or to upgrade the performance and that is what is the optimization system that exists today in products and services. So, companies have started putting additional efforts and resources on service and optimization levels. Software has become an important tool for providing the higher value perception even after a product is bought for a specific purpose.

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The Traditional Customer is Assumed to be Reactive

The firm imagines itself to be the provider of products and services that satisfies the reactive customer.



The firm and the customer are considered to be the foundational parts of a transaction economy.



The traditional customer is assumed to be reactive that is the firm thinks that it is the provider of products and services, and it satisfies a reactive customer. A reactive customer is one who looks at the product or services and buys the product because it reaches the need.

So, in this schema you have the firm creating its value proposition. Then, products and services provide the value, consumers represent the demand for the products and services, firms and customers interact transactionally, and this interaction happens in the marketplace. And we have seen different types of marketplaces in the earlier stage.

Firm keeps researching customer needs, firm keeps innovating to fulfil customer needs, firm imagines a value chain across its capabilities, firm creates a supply chain for the customer and

firm is the provider and customer is the receiver. So, in this traditional scheme of things, it is all the firm, the firm and the firm.

The firm has taken upon itself the responsibility for conceiving of consumer needs and for providing the fulfilments through the products and services. So, the accent is on the firm, the emphasis on the firm and consumer transaction. So, there could be attributes, such as look and feel, functionality, utility, life cycle, cost.

These are all tangible. And the company believes that by playing on these tangible features the consumer is satisfied. These are the transaction economy approaches of the traditional framework. And these are the foundations obviously, of the transactional approach of the economy.

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Customer Experience in the New Internet Economy

In the new digital economy, the customer gains and provides multiple insights and experiences instantly.



The digital marketplace has become an integral part of customer search and fulfillment experience.



But in the new internet economy, consumers are also changing. The consumer is gaining lot more information than he ever gained in the past. Insights are available. Experiences can be simulated. So, what is this internet economy? There is a universal digital market that is available.

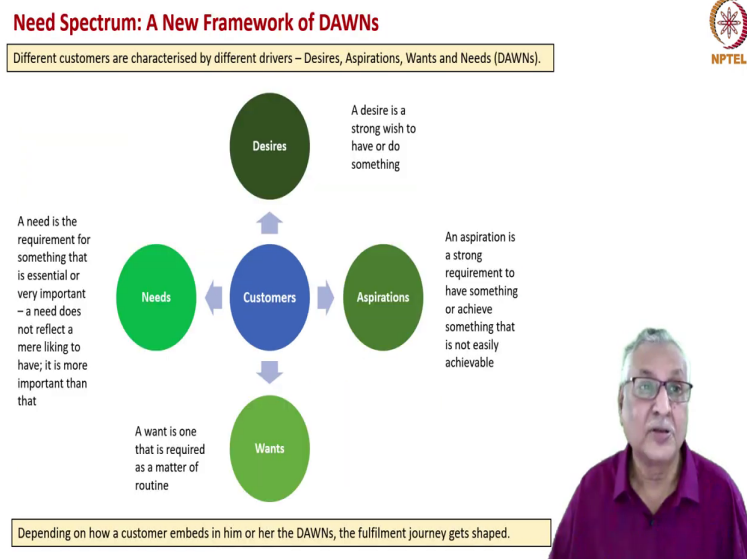
There is instant search available that is filtered as well. You have product description. In fact, you get such product description that you can go to the country of origin, the year of launch, and the user reviews. Then, you go to the product stores that is you are not satisfied with what an Amazon offers.

We may go into the product stores of that particular company. Then, you get mutual experiences and insights, then you decide on a purchase transaction, you get the product delivered, product is supported by the service that is offered not by the universal marketplace, but by the original manufacturer.

And there could be however, a product return or trade in the top rates at the universal digital market level. There are multiple options in this, you can view physical, buy physical. That is what we have been used to several years ago. Today, we may view physical and then buy digital or we may view digital and buy physical.

We may view and buy digital. So, if you see a 2 by 2 matrix of viewing digital, buying digital, and buying physical, you can have several classifications that are possible as I have indicated. The digital marketplace has become an integral part of customer search and fulfilment experience.

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So, when you look at this need hierarchy, we have seen how from safety to the self-actualization, we are moving our needs. We also have seen how the needs are influenced by the whole spectrum of economic and sociological factors. But beyond that, I thought I should give you another framework which is a philosophical framework which we have innately within ourselves and which we do not really classify or clarify for ourselves.

So, this is the non-framework. I believe different customers are characterized by different drivers. Some are driven by designs, some are driven by aspirations, some are driven by wants, and most are driven by needs. So, what are these things? Customer experiences, expresses, and responds to all of these things.

A desire is a strong wish to have or do something. I have a desire to pursue an MBA program. I have a desire to pursue an NPTEL program. I have a desire not only to pursue the NPTEL

program, but also write the exam and be the top topper or gold medallist in the whole NPTEL scale.

Then, you have an aspiration. The aspiration is a strong requirement to have something or achieve something that is not easily achievable, that is something of a chain of NPTEL programs. I am not just satisfied with this program of business development. I want to understand business strategy.

I want to understand how strategy and technology are interrelated. I want to understand how each of these things could be linked to my inner entrepreneurial fervor. So, that, but it is physically not possible for you to do all these programs simultaneously at one go. So, it is an aspiration it remains as an aspiration, as you keep moving through the aspiration in phases.

Then, you have wants, want is a requirement, that is a matter of routine. You want to upgrade your knowledge. That is necessary even in personal life as well as in business life. It is a routine requirement. But there is a need that is driving most consumer activities, that is the requirement for something that is essential or very important. A need does not reflect a mere liking to have.

It is more important than that. That is you need to talk to people and establish your image that is a need for you in an organization. You need to study at least a newspaper or a business magazine, if not every day, at least once in a week for you to be abreast of the knowledge, that is a requirement, that is essential. Without that you would be obsolete in the lifestyle system.

Therefore, you would have a frame of desires, aspirations, wants, and needs, and companies can move an individual from a need to a want to an aspiration to desire as well. When NPTEL offers as an example self-based programs, that is programs where you can take up the course based on your convenience, your requirement, then NPTEL as an organization is helping you to meet your desires and aspirations in a better way.

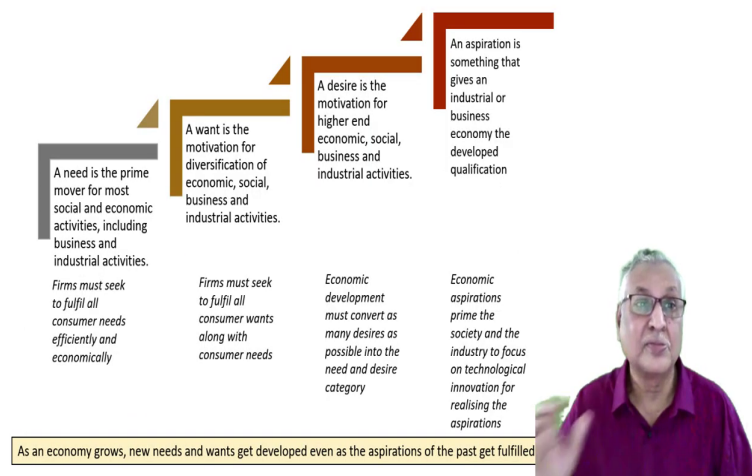
Similarly, a product company could offer options to upgrade your product, that is why people talk about upgrade exchange value. They talk about trade in of one basic product to another basic product. A real estate company may say that, ok at the start of your career, you move into your 2-bedroom apartment, but I assure you that after 5 years of your career, I will let you upgrade to a 3-bedroom apartment. I take responsibility for that.

Today, the real estate companies are just sellers of apartments, but if a real estate company moves into the lifestyle planning of the customers, it could be a different kind of Real Estate Company. So, how you read the customer requirements, how you read the desires, aspirations, wants and needs, could be the game changing paradigm for a company.

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The DAWN Hierarchy

The DAWN hierarchy is somewhat similar to the Maslow hierarchy but is much more basic and practical.



What is the DAWN hierarchy? Therefore, we should really look at this little more detail because this has something to do with our strategic marketing and business development.

Because the need is the prime mover for most social and economic activities including business and functional activities.

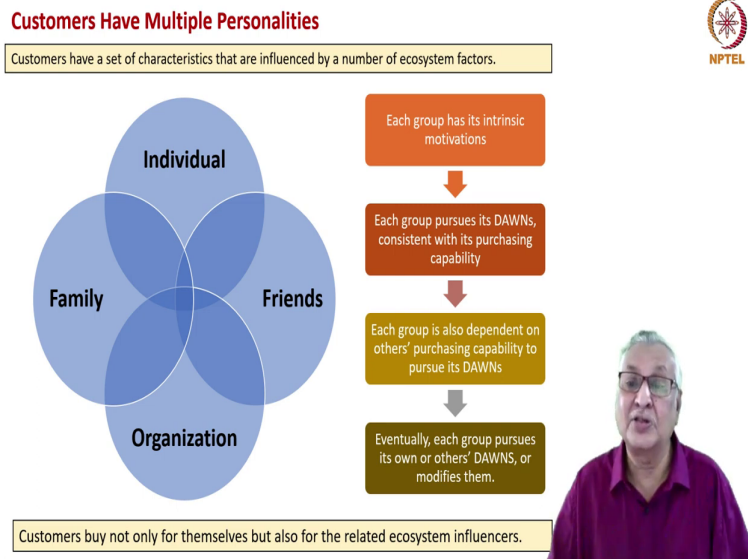
We must as firms seek to fulfil all the consumer needs efficiently and economically. The basic need must be fulfilled. Second, want being the motivation for diversification of our economic, social, business, and industrial activities either as individuals or businesses, we should also seek to fulfil all the consumer wants along with consumer needs.

A desire is the motivation for higher end economic, social and business as well as industrial activities. Therefore, economic development must convert itself into as many desires as possible and that is going to be in step with the mission of the nation to progress to the top rank of global economies. Firms should be prepared to cater to the desires.

Then, an aspiration is something that gives an industrial or business economy the developed qualification and that is the epitome of economic superpower status in the global order. Economic aspirations therefore, prime the society and the industry to focus on technological innovation for realising the aspirations.

The aspiration of an individual in India has been communication, that is why the smart phones came into the day-to-day lives of several millions of Indians, the way they have come into. And that identification with the new trend of economy, with the new age of the economy is a motivator for firms to get into such businesses and fulfil the appropriate parts of the DAWN hierarchy. As an economy grows, new needs and wants get developed even as the aspirations of the past get fulfilled.

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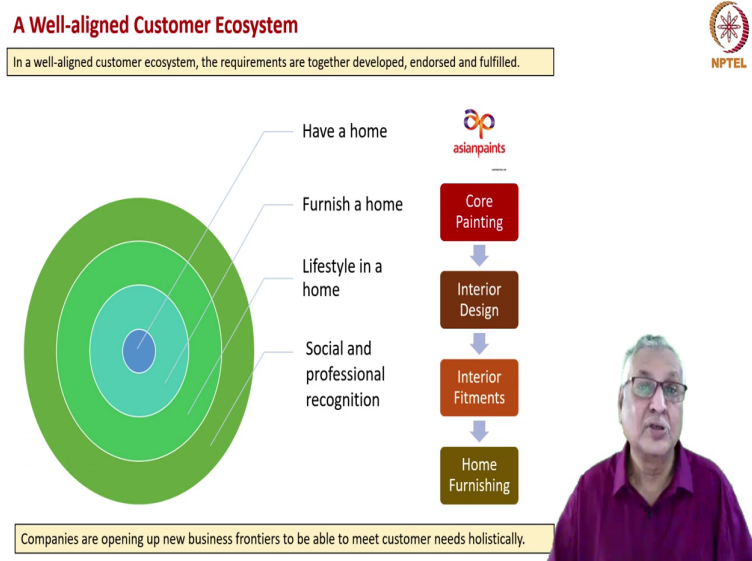
And customers have multiple perspectives and customers are influenced by a number of ecosystem factors. The customers are individuals in their own right, they have their friends, they are influenced by the family, both in the upbringing as well as in the DAWN profile. And they also are parts of an organization, it could be a social organization or a business organization, where they are working. And each group has its intrinsic motivations.

The motivation of the individual could be different from the motivation of the family. The family may like to save the money. And individual may like to spend the money. Friends would like to see their friends, come to the same level of strata life. So, all of that could have influence on how a customer would have multiple personalities.

So, each group pursues its own DAWNs consistent with its purchasing capability. Each group is also dependent on others purchasing capability to purchase its DAWNs. Eventually, each group pursues its own or others DAWNs or modifies them.

Customers buy not only for themselves, but also for the related ecosystem influences. This understanding of how individual family, friend, and organization DAWNs inter relate with each other, influence each other, and together act in some kind of synergy most of the times, but at times in terms of some dissolve money as well needs to be recognized by the companies.

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So, in a good customer ecosystem, there would be alignment across the groups which I have discussed. So, let us look at this particular customer ecosystem. As an individual, I want to

have a home, then I want to furnish the home, then I want to have a good lifestyle in a home, and I would be part of a social and professional recognition as a goal.

Now, Asian Paints is a company. It has understood that there is a customer ecosystem beyond just paints. The company is not in just surface protection. It started moving into surface attraction. Now, it is thinking about total alignment with the home system. So, the core painting has been supplemented with interior design, then with interior fitments, and home furnishing now they are all getting into the design architecture for a home to look different.

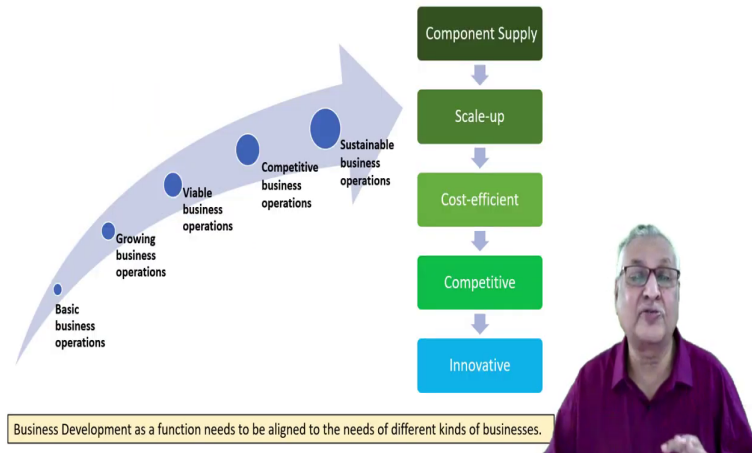
Obviously, there is a self (Refer Time: 46:43) motive in what Asian Paints is doing, in terms of having business for its products. But it is quite possible that after the initial service is provided by Asian Paints, they may go and choose other competitive paints or other competitive recommendations.

So, companies are opening up new business frontiers to be able to meet customer needs holistically, and not everything is aligned for today's transaction, which means that the consumers and customers are looking at this interaction in a completely different way, compared to what we have seen in an earlier slide. That company has got the product, customer has a need, and there would be a consideration exchange. The interaction is different.

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A Business Customer Ecosystem

A business customer ecosystem is driven by considerations that are required for business operations. However, it also has its own business need hierarchy.



Let us therefore, look at the business customer ecosystem also. A business customer ecosystem is driven by considerations that are required for business operations, but it also has its own business need hierarchy. There are certain basic business operations that need to be performed at all times.

Then, there is a need for growing the business operations, then viable business operations, competitive business operations and sustainable business operations. Business operations keep going up which means that the component supplies for a business, scale-up, cost-efficient, competitive and innovative become important at different phases of business growth.

Business development as a function needs to be aligned to the needs of different kinds of businesses. The way you develop your firms business is dependent on the type of business

customer and the phase of that particular business customer. So, we have seen that individual customers want to fulfil the DAWN hierarchy, and business customers want to fulfil their business growth evolution.

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When Variety is the Spice of Life

Business Development is all about providing personalised experiences to a wide spectrum of customers.



 High-end Special Restaurants <ul style="list-style-type: none">• Ambience, Service and Signature Food• High-end luxury minded customers	 Quick-dine Restaurants <ul style="list-style-type: none">• Standardised global menu with local tweaks• Youngsters and income earning millennials
 High-end Popular Restaurants <ul style="list-style-type: none">• Ambience, Service, Quality Food• Middle and high-income family and business dining	 Native Ethnic Restaurants <ul style="list-style-type: none">• Tradition and nativity blended food• For all demographic groups seeking native and home food tastes
 Thematic Eateries <ul style="list-style-type: none">• Specialised, theme based, for example Chocolate based• For those with sweet tooth and strong wallets	 Street Food Joints <ul style="list-style-type: none">• Personalised food for the local community• For those with the roots to freedom of choice

In the established models, businesses get developed on specialised infrastructure that serves specific needs.



And everybody also wants variety. We need to provide variety to our customers whether they are business customers or individual customers. We have high-end special restaurants; they provide ambience service and signature food. And they also serve only certain types of customers, high-end customers with luxury and time and space for interaction in mind.

Some hotels are focusing more on the ambience than on the food itself. Food of course is of top-class quality, but ambience is being seen as the most important adjunct for such restaurants. Then, we have high-end popular restaurants where ambience, service, quality

food are the prime drivers, and they attract middle and high income family and business dining requirements.

Then, we have thematic eateries, which are specialized theme based, for example, chocolate based eateries. For those customers with sweet tooth and strong wallets, those are the thematic eateries that have sprung up. Then, we have quick-dine restaurants, standardized global menu with local tweaks, youngsters and income earning millennials.

Then, we have native ethnic restaurants, which blend tradition as well as nativity with taste. And this is for all demographic groups seeking native and home food tastes. Then, we have street food joints, where personalized food is offered for the local community and for those with the roots to the freedom of choice.

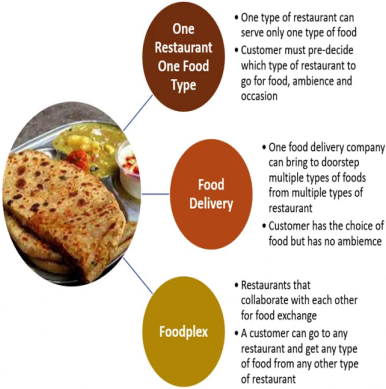

So, variety is the spice of life in the food industry, literally and figuratively. This model can be applied to any product and any service. Only thoughtfulness is required, only observation of the customer behaviors is required, that is why we will think about market research in some of the next lecture sessions.

In the established models, businesses get developed on specialized infrastructure that serves specific needs.

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Business Development Can Create New Models

Business Development must address the diverse needs of the customers with thoughtful products.



- One Restaurant One Food Type**
 - One type of restaurant can serve only one type of food
 - Customer must pre-decide which type of restaurant to go for food, ambience and occasion
- Food Delivery**
 - One food delivery company can bring to doorstep multiple types of foods from multiple types of restaurant
 - Customer has the choice of food but has no ambience
- Foodplex**
 - Restaurants that collaborate with each other for food exchange
 - A customer can go to any restaurant and get any type of food from any other type of restaurant

Companies must decide on which alternative provides the best customer fulfilment for the widest food needs



Business development can create new models. Business development must address the diverse needs of the customers with thoughtful products. Food is the main ingredient for fulfilling the customer need. You can do that in 3 different ways, one restaurant, one food type. That is one type of restaurant can serve only one type of food.

Customer must pre-decide in that case to which type of restaurant he or she must go for the food ambience and occasion. So, you have vegetarian restaurants, non-vegetarian restaurants, mixed restaurants, you have South Indian type or cuisine North Indian type of cuisine, like that many varieties are there. And each restaurant gets known for that type of food and service and therefore, we choose that.

Then, we have food delivery, wherein one food delivery company can bring to you whatever you decide to order. It could be multiple types of food from multiple types of restaurants.

Customer has the choice of food, but customer does not get any ambience, then you can think of a foodplex as well.

That is restaurants collaborate with each other food exchange. A customer can go to any restaurant and get any type of food from any other type of restaurant. Let us think of this case, a hotel (Refer Time: 51:51) hotel like Taj Coromandel will have 3, 4 types of restaurants.

It would have say southern spice as South Indian cuisine restaurant, it may have Anise as a restaurant which is dedicated for Western and Indian, but typically multi-cuisine approach, then you may have Golden Dragon which specializes in Chinese food, it may have an Italian restaurant.

You are expected to make your decision and narrow down your choice to go only to one type of restaurant and pre-decide what you want to eat there. But you can think of a foodplex kind of situation where you walk into any restaurant for whatever reason of ambience or happiness or repeated use and then order food from any of the 4 restaurants that I have spoken about. That is a foodplex concept.

Similarly, you can have a situation where you can order from one restaurant, but get products of different restaurants which have collaborative network. That could be also possible. So, the chain effect or the network effect could be satisfying the customers to a much greater degree than what is possible in today's situation.

These are the ways business development can approach the need fulfilment. And that is what you as the potential business development managers and leaders must look at, how to understand the customer needs, the different facets, the context in which the customer needs are influenced.

And how companies must move away from thinking of the providers of products and services to doing something different to fulfil the DAWN hierarchies of individual customers, groups of customers as well as businesses. Customers must design and decide on the alternative

paradigms to satisfy the DAWN hierarchies of customers. That is the core theme which I would like to convey to you. With this we come to the end of this lecture.

Thank you very much. We will meet in the next lecture.