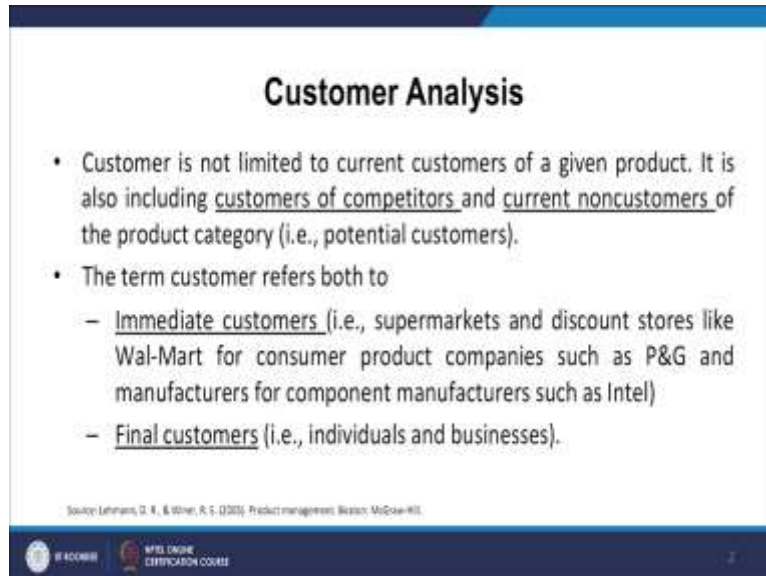


**Product and Brand Management**  
**Professor Vinay Sharma**  
**Department of Management Studies**  
**Indian Institute of Technology, Roorkee**  
**Lecture 24**  
**Customer Analysis**

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**Customer Analysis**

- Customer is not limited to current customers of a given product. It is also including customers of competitors and current noncustomers of the product category (i.e., potential customers).
- The term customer refers both to
  - Immediate customers (i.e., supermarkets and discount stores like Wal-Mart for consumer product companies such as P&G and manufacturers for component manufacturers such as Intel)
  - Final customers (i.e., individuals and businesses).

Source: Lehmann, D. R., & Otter, R. S. (2008). Product management. Boston: McGraw-Hill.

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Welcome back friends. Now carrying forward with the discussion which is around product portfolio management, category management and now more or less towards further analysis on two key aspects during this session and the next session, that is customers and competitors and here we would be focusing more on customer analysis and let us see what a product manager thinks in terms of visualizing his customers.

Customer analysis is not limited to specific current customers. It is related to including customers of competitors, non-customers as well and potential customers. Now, the aspects are explicit by themselves when you say customers of competition. So, you want to pull the market to your side. Probably the market is growing and you want to be a leader.

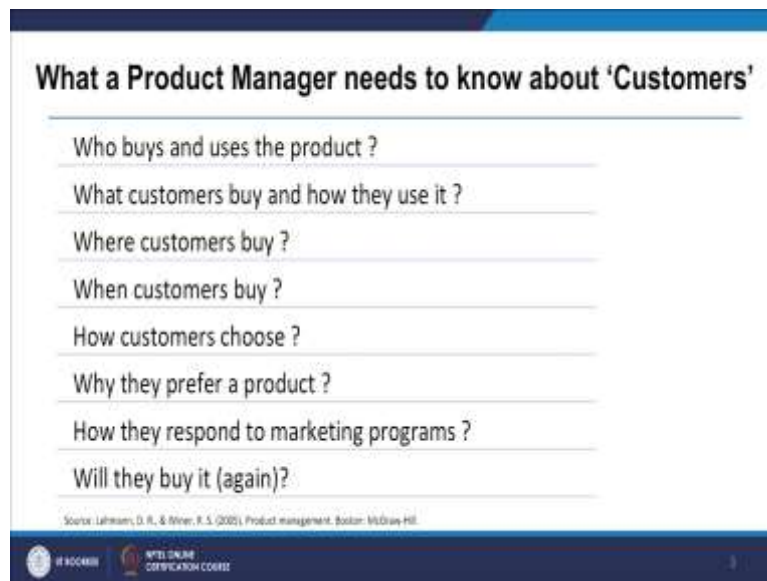
The market is actually maturing and you still want to be a leader and pull it towards yourself and so on. So, these are significant elements when you talk of customer analysis. As soon as you put up a perspective around it, for example, you say non-users, that means you are actually thinking in terms of product innovation and you are focusing upon bypassing the competition going towards non-users. I will be talking about this in strategy segment, but just keep this in mind that, once you start analyzing customers with a perspective, everything gets redirected towards all the aspects which we have been touching upon till now.

For example, I will just take a cue from the last session wherein we talked about category analysis, to category perspective. If you are looking at non-users to be included for a particular kind of a category, what does it implies? It is interesting, I would not be elaborating too much on that, but I am just giving you a clue that how to look at non-users with a category perspective.

Should you be thinking in terms of widening the category and developing a particular kind of usage or innovating upon as far as the complete category goes, several methods can be applied and this is just a thought. We will be going for specific stage wise discussion in subsequent sessions on all the elements which would get unified to a level later on.

Now, the customer refers to both immediate customers wherein supermarkets and discount stores like Walmart have (for organizations like Walmart, consumer companies such as Procter and Gamble look at them as their customers and end consumer can be reached through Walmart) end consumer, intermediary customer and so on. Many a times, it is a very simple question asked by so many people that what is the difference between customers and consumers. Consumers who consumes but we have to imagine a product manager has to think of that, for example, there is a detergent manufacturing organization directly reaching to the consumers with door to door sales. There have been examples which have done large in terms of their sales. For example, I remember, although not specifically through direct sales but Dell used to market their computers and laptops directly to customers. So, you see therein customer and consumer becomes one in many models. So, we can keep talking about this and then there are final customers.

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Now, what a product manager needs to know about customers, who buys and uses the product, what customers buy and how they use it? When I say who buys and uses the product in today's AI and data sciences era, I just want to remind you that marketers because of technology enablement and the technological capability which they have developed in due course of time (thanks to technology institutions like us who have produced such brilliant students with great knowledge going to different organizations generating algorithms and programs) can actually analyze the complete scenario. You can develop a database and you can know your customers individually as well.

So, that can also be done. But that is just a glimpse of (although in literature when you say who buys and uses the product has a slightly broader connotation, I will be talking about this) where customers buy, as they are buying online or offline. This is a broad categorization but then there can be so many things.

COVID 19 has suggested that online shopping is a big enabler but then shopping experience, wherein the customer does not want to lose that and I can find after two years of suffering, when people are slightly getting comfortable after so much of vaccination and lots of efforts by warriors and government that people are moving out, their experience on shopping mall floor is actually rejuvenating and they are feeling happy about it. So, online and offline is getting a wonderful kind of should I say match up or let us say an overlapping space wherein they are complementing each other nowadays. Let us see what the resultant would be.

So, how customers choose, why they prefer a product, how they respond to marketing programs, will they buy it? Again, a million-dollar question. Would my customer come back to me or would he leave the side and go to someone else?

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Who buys and uses the product is related to buyers and users for most industrial goods and many consumer products. Now, who must be broken into several different entities within the organization or household, including following as I said, it is a broader connotation wherein that initiative who identifies a need for the product.

A child says that I want a toy, that can be an initiating perspective. A young college going student suggests that I want this kind of a course that can also be an initiating perspective. Influencer who has informational or preference-based input to the decision so, whose influence works basically.

For example, if you are buying a household good homemaker's influence works most in terms of the kind of household goods, durables, refrigerators and televisions which are required and many a times if it is a specific kind of product you are purchasing, then definitely so many times, I have seen parents consulting with their younger lot on purchasing electronic equipment and appliances, so they depend upon them as well.

Decider, who makes the final decision? There was a time fathers and man of the house and these kind of terms were there for people who used to decide but believe me it has diminished now. I do not say that 100 percent it has gone off. You may find different views on this, but again to my experience that has actually diluted.



Benefits, this means some benefits. For example, you will be able to work and play super-fast on your device. So, customer wants to know this much only. For example, this morning when I was ironing my kurta which I am wearing right now, I was worried on that should I be moving that knob to cotton or to silk? Because I did not know what temperature would be in terms of that iron goes. So, I just want to know that much only. So, that is how they categorize the knob in saying silk, cotton, wool or something else.

Now, then a bottle with Duo Deluxe Thermal steel and you will be able to enjoy water at the temperature you want. Basically, the way you fill it, the way you enjoy it. A car has 300 horse-power engine the ability to pull away quickly from potentially dangerous situations you are driving. A Maserati. You know the engine power but you are interpreting that in the form of speed.

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**What customers buy and how they use it ?**

- **Purchase Pattern**
- Purchase can be generally segregated as:
  - **Recency:** How recently has the customer bought from you?
  - **Frequency:** How many different products does the customer buy, and what are the time intervals?
  - **Monetary value:** What is the value of the customer's purchases in terms of profits?
- **Product Assortment**
  - It involves the number of different brands purchased by customers in the segments (i.e., what else).
  - For e.g., a customer may be using a particular share of wallet which is not available for your product/brand and may produce switching.
  - Knowing what fraction of spending is on your (manager's) product has clear implications for strategy.
- **Use**
  - How customers use a product is fairly straightforward, including when, where (e.g., at home or in the office), how, and with what else they use it.
  - Often customers find uses for a product that the company never dreamed of.
  - For e.g., Baking soda (sodium bicarbonate) is a popular baking ingredient, but people also use it as a cleaning agent.

Source: Lehman, D.R. & Wier, B.S. (2005) Product management Boston: McGraw-Hill

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What customers buy and how they use it? Purchase pattern; purchase can be generally segregated and this is again all these things are evolving, evolving in nature but, we are referring to standard literature by good authors from good books. So, the broader categorization which authors have proposed is related to that purchase which can be generally segregated as recency, frequency and monetary value.

So, how recently has the customer bought from you? How many different products does the customer buy and what are the time intervals and same in terms of monetary value? Product assortment is also one of the aspects and use is a major aspect.

There are several examples, for example baking soda, sodium bicarbonate is a popular baking ingredient but people also use it as a cleaning agent. So, this is how when we look at what customers buy and how they use it. So, that is the perspective on many times customer has a customized usage of several kinds of products around.

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**Where and When customers buy?**

- Many product managers think of channels as being fixed and traditional, but customers migrate to other channels as their information needs and other market conditions change.
- From Buyer's Point of View: **Choice** - Where do I buy? - **Value**
- When they buy encompasses time of year, time of month, and even time of day. Fast-food operators, for example, segment by "daypart," that is, breakfast, lunch, dinner, and snacking times.
- When also includes when customers buy in terms of sales or price breaks and rebates, on the assumption that those who buy because of a special deal (i.e., deal-prone consumers) may be different than those who pay full price.

Schmitt, J. Lehmann, D. R., & Wieser, R. S. (2005). Product management. Boston: McGraw-Hill.  
 Z. Usels, M. R. (2018). How Customers Buy... & Why They Don't: Mapping and Managing the Buying Journey DMR. Rakuten Book Group

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Where and when customers buy? Many products and product managers think of channels as being fixed and traditional but customers migrate to other channels as their information needs and other market conditions change. Online-offline is again a point of discussion which you know very well from buyer's point of view. There is a two-dimensional kind of a thing wherein, where do I buy is associated with the choice and value.

Value matters a lot for the customer and value when I say is not only in terms of price, value is associated with the levels of effort the customer would be making, the kind of price he has to pay or she has to pay and so on and the whole picture the customer derives in terms of exchange while bringing the product home. If it is a necessity-based kind of a thing we will think of that separately for a while, but again, where and when is a very important element.

When they buy encompasses time of the year also, time of month also, many a times, time of day also, wherein people going to departmental stores prefer specific timings wherein they do not want too much of a rush or homemakers when they are free from their daily household tasks basically they have work, they are not busy with their children, they are not busy with their other things and working women and then working men every one has different kinds of time preferences.

Fast food operators for example segment by day part that is breakfast, lunch, dinner and snacking times and you would have heard of many-many schemes wherein for example a pizza chain says that on Wednesday they are giving a specific kind of a discount because Wednesdays sort of people do not go for outing in the evenings. That is the middle of the week people are busy.

And for lunch seeking people when you have an outlet somewhere in a hub like situation where in a lot many offices are there. So, lunch like situation where it is too much of a rush, you put up segregate timings that if you reach there by twelve this is the kind of discount. So, that you want to reduce the rush between let us say 01:00 p.m. To 02:00 p.m. where all of them want to come. So, there are several kinds of things which people do.

Am I sounding like that timing is related to strategic decisions? Yes, it is when also; when means time also includes when customers buy in terms of sales or price breaks and rebates on the assumption that those who buy because of a special deal, for example, deal prone consumers may be different than those who pay full price. Many customers I have seen just go for consumer surveys and customer surveys and we often go in academics. We have to go through several kinds of projects which students do.

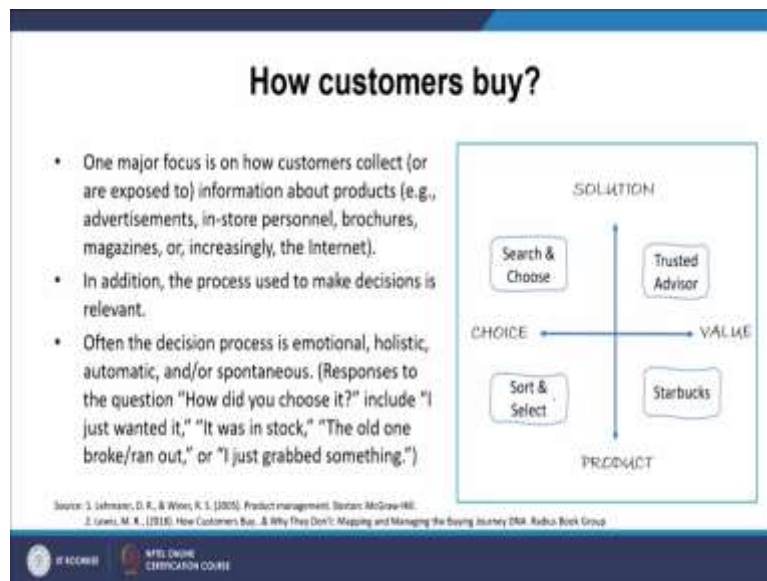
So, when I discuss with my students many insights come in from all the sides and then it is such a wonderful thing when you learn that there is a whole lot of number of customers who wait for a particular model of a shoe which is going through a particular phased introduction in terms of its life cycle and they wait for a new model to be announced and then they go for the slightly old version because their company wants to clean up the inventory or I should say dilute the inventory and they offer discounts.

You see customer is intelligent so that is how many a times they think and then people wait for several kinds of sales which are usually periodically announced. In India one of the most sought-after sales is announced by Khadi Gram Udyog, Gandhi Ashram which is a very large organization.

So, they announce sales just at the time of birth anniversary of Mahatma Gandhiji and then it carries forward for a couple of months and people look forward to that and Gandhi Ashram also brings in lot many new and better products during that period because they know that people are waiting for that. So, it is a time which is beneficial for all. They are celebrating birth anniversary and they are announcing sales and their customers are waiting for that and it enhances the loyalty perspective of customers as such also.



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How customers buy? One major focus is on how customers collect for information about products, example advertisements, in store, personal brochures, magazines and so on. And then there is again quadrant-based kind of a situation. On one side it is solution, on the other side is product, value or choice. So, you can look at the quadrants wherein search and choose is one quadrant, the other quadrant is trusted advisor and then there is a sort and select. You can put up products here basically in these quadrants just to give you a clue on that this is how they reach to the decisions.

And I should be reminding you of the fact that consumer behaviour and consumer behaviour analysis is an ever-evolving subject wherein several different kinds of modes and methods of analysis have been applied to understand consumer behaviour and those have been effectively put up.

In addition, the process used to make decisions is relevant. Often the decision process is emotional, holistic, automatic or spontaneous. Responses to the question how did you choose it, include I just wanted that, it was in stock, the old one broke, ran out or I just grabbed something. See, there are several kinds of behavioural expressions associated with how customers buy.

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**Why they prefer a product ?**

- Central to this question is the concept of customer value: what the product is worth to the customer.
- Customer value depends on the **benefits offered** (from the customer's perspective) and the **costs involved** (price, maintenance, etc.).
- The customer value of a brand is composed of three basic elements:
  - Importance of the usage situation.
  - Effectiveness of the product category in the situation.
  - Relative effectiveness of the brand in the situation.
- Sources of Customer value: Economic benefits, Functional benefits, Psychological (including emotional) benefits.

Source: Lehmann, D. R., & Winer, R. S. (2005). Product management. Boston: McGraw-Hill

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Why they prefer a product? Central to this question is the concept of customer value, what the product is worth to the customer. We have talked about this and there are several elements in terms of benefits offered and what customer would be spending in terms of time, emotion and definitely money value.

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**How they respond to marketing programs ?**

- In addition to the product itself, sensitivity to and preference for prices (and means of payment), distribution and availability (including the effect of direct marketing), advertising, promotion, and service are fundamental aspects of a market.
- Methods for assessing sensitivity include:
  - Expert judgment, using the knowledge of managers, the salesforce, etc.
  - Customer survey-based methods, including both direct questioning (e.g., "How important is ... ?") and more subtle approaches such as conjoint analysis.
  - Experiments, in both controlled settings (e.g., in shopping malls or specially designed stores or labs) and actual markets.
  - Analyses of past data, comparing results across markets, or where individual customer record data are available (e.g., scanner data) at the individual level.

Source: Lehmann, D. R., & Winer, R. S. (2005). Product management. Boston: McGraw-Hill

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How they respond to marketing programs? that is again, a very important element in addition to the product itself. Sensitivity too and preference for prices, distribution and availability, advertising, promotion and service are fundamental aspects of market. I will be talking about these elements separately after my discussion on strategy and wherein I would be specifically referring to prices, I would be referring to promotional aspects and so on. And then we will

be elaborating on how those specific element works. But how they respond to marketing programs is one of the components of customer analysis.

So, you know your marketing programs, you are trying to analyze their response. Whole lot of an ongoing longitudinal research is responsible for this and methods for assessing sensitivity includes expert judgment, customer surveys, experimental in both controlled and settings otherwise and analysis of data, comparing results across markets or several other ways.

But in totality, it is a reflexive perspective. Observing customer as if you are one of them, talking to them as if you are part of them. So, whether you survey or you observe, it is all reflexivity, all through. Will they buy it again is a million-dollar question, as I said. So, the point is what kind of satisfaction have you generated in their minds?

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**Will They Buy It (Again)?**

- **Satisfaction**
  - Whether customers will purchase the product in the future, depends heavily on current users' satisfaction with past purchases.
  - Measurement of satisfaction has three key aspects:
    - Expectations of performance/quality.
    - Perceived performance/quality.
    - The gap between expectations and performance.
- **Intentions**
  - Intentions are imprecise predictors of future purchase (as in he or she "had good intentions but . . ."). Still, they provide early signs of future sales.

Source: Lehmann, D. R., & Winer, S. S. (2003). Product management. Boston: McGraw-Hill.

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Whether customers will purchase the product in the future depends heavily on current user, user's satisfaction with past purchases. And satisfaction, believe me, is a bundle. It is related to not only the aspect of benchmarking, what you have spent against what product benefits you have got, it is actually related to going for experiencing the whole thing.

I will give you a very fundamental common example. Just observe your past behaviour in terms of purchasing a toothpaste. Many of you would have switched over to some toothpaste then would have come back to your original choice which you have been using for n number of years. Many of you would not have left the original choice at all. Many of you are

frequently switching over. Let us look at these three scenarios to elaborate upon the satisfaction perspective.

You see a toothpaste kind of a product. It takes many years to realize that what it has done for us because it is not daily that you watch the whiteness of your teeth. It is not daily that you suddenly feel that your teeth are getting infected. And you go to a dentist and he says that you are not brushing in the night time before sleeping and so on. Your habits are not good. And then you should be using X kind of a toothpaste. It is not daily that somehow the sensitivity of your teeth becomes prominent. So, it is a longitudinal kind of a thing.

And if you are observing that, you might think in terms of changing over to something and then realizing that what better can be done? Many a times you have just changed it and then you want to jump back because somehow the taste does not work for you first kind of an interaction and the otherwise also you are not feeling that fresh somehow which you were feeling earlier.

So, the point here is that in a fundamental product, I should say fundamental convenience product like toothpaste which is a common product, we have so much to go through, then comes in like, food and eatables. How well you have felt satisfied with the Atta you have been using, packaged Atta you have been using for a number of years, how many times you have changed it. Just watch that retrospectively go backwards and you will get to know what I mean with reference to satisfaction.

Tea it is highly observable, coffee it is quite observable because that somehow rings a bell as soon as you take the first sip because that is associated with the moments you have with that cup of tea as well. So, satisfaction includes almost everything and there are a lot of researchers on this. This is a very intriguing subject for many researchers. People talk about emotions, dejection, happiness or everything in terms of a product and we have talked about product with reference to personality earlier as well.

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**Will They Buy It (Again)?**

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Measurement of satisfaction has three key aspects, expectations of performance, quality. Now, what do you expect from a toothpaste? We do not have a specific answer. You expect everything actually. But then how do you measure that? It is difficult and that is the point which I am trying to make. Perceived performance and quality. Now, perceived performance and quality in terms of these kinds of products come in after a long time, let us say 15-20 years. So, do you keep on monitoring that way? But believe me, someone else is monitoring it for you.

Someone else is continuously and longitudinally following someone on development of these kind of products. The gap between expectations and performance. So, the gap between expectation and performance of a display screen, a television can be easily analysed. Computer definitely very well it can be sensed immediately what is the speed, what is the capacity, what kind of programs it can hold and so on. But common products wherein you are not spending that much of money as well but still in cumulative lifetime, though, If you will add on that kind of money you would have spent on one product like soap or toothpaste per human that is a huge amount because that is a recurring purchase.

And if you will look at it with that kind of a perspective you would realize that satisfaction is worth monitoring. Customer does not do that so easily but product managers they have to. Otherwise, how would they reach the customer with a specific kind of a perspective and if you keep on experimenting on one product then lifecycle stages would not be so helpful for you because by the time you go for growth and you are not assessing that the product is rejected, growth converts into a decline within no time.

Then there is an element of intentions. Will they buy it again is also related to intentions? Intentions are imprecise predictors of future purchase. As in she or he had good intentions but, still they provide early signs of future sales.

You see, the point is that what is the intent of the customer? I do not prefer to specifically talk about products which could not do well in the market. We all know those kinds of stories but choose one product which could not do well in its due course probably would have been exited and just go into the story of that product.

You would realize that while that product was being conceived market researches were done. The customer was very enthusiastic about those kinds of products. Customer told overwhelmingly that they are looking forward to, they will buy that during the product launches the customer response was very high, the intent was good. But, as soon as it was launched a couple of months later the intent did not materialize into sales. Something went wrong.

What went wrong? Probably we could not analyse customers well. Somehow, I should not say read their minds, but we could not read their hearts somehow. Reading the hearts is largely what customer analysis is, although not specifically. I will come back to you with competitors' analysis in my next session. Till then goodbye.