Management of New Products and Services (MNPS)
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Lecture – 08
NPNSM-STP continued

Hi, I am Jayanta Chatterjee and as you know we are discussing different aspects of new products and new services management over the next few weeks, if you recall in the last session I was discussing STP segmentation targeting and positioning the slide.

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In front of you on the screen that kind of summarizes the discussions that we had in the last session that segmentations are needed to target customers efficiently based on their value proposition attraction.

The value proposition of your product goods or services and the customer's needs can be matched by carefully doing the segmentation, first identifying the base segment and then going into some micro segmentation, where the targeting is done by matching the customer's detailed profile with that of the products attributes and features and tangible and emotional properties.

As I promised I am going to discuss a some interesting advanced techniques. So, today I am going to discuss some advanced techniques, interesting techniques of doing

segmentation and targeting and positioning which will be a supplement to the discussion that we had in the last session.

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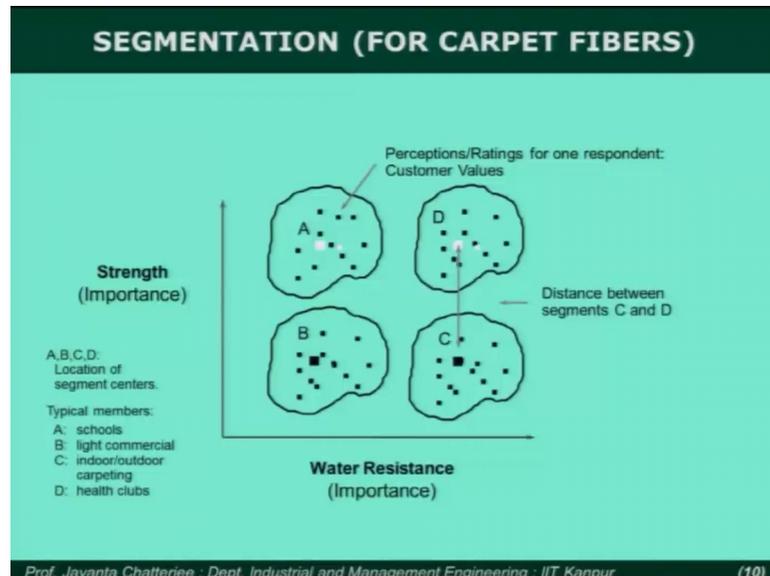
So, you can see on the screen we are doing a segmentation for carpet fibers, you know the fiber that is used for making artificial carpets and here we have chosen and this is the important point that whenever you are doing segmentation if you choose orthogonal; that means, properties which are related, but distinctly different important properties and if you set them on the x axis and y axis, then you can see different types of requirements; you know some of your buyers may be needing more water resistance because, they may be looking at creating some kind of floor covering where there may be moisture ingress and so on or some people may be looking for strength because that is going to be used maybe in the reception area or in entrance area etc or floors of classrooms and so on which are very intensively used.

So, accordingly depending on the different where the properties that your products will have because, it is possible that you have a product which is high in water resistance as well as high in strength.

So; that means, you are in this particular what we call cluster or you could be somewhere where your water resistance is low, but your strength is high. So, you may be here or you may be where you know you are making something which is very for low grade use. So,

you have neither any distinction with respect to water resistance nor with respect to strength, so in that case you know you come in particularly this structure.

So, basically the segmentation as you can see also tells us the other people who are other competition who in having the similar kind of properties and therefore similar kind of positioning and you can actually on this axis depending on your water resistance strength or your first rate you can position your product within that particular cluster. So, what we are saying here is choose 2 orthogonal import properties, orthogonal means that properties which are related but distinctly different and then using that as x axis and y axis you can create different clusters of requirement, as well as competitors who are playing in that particular segment.

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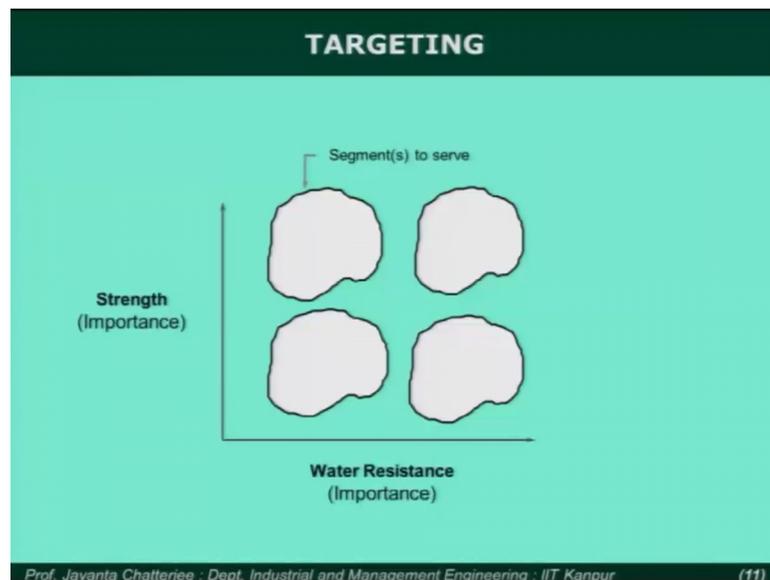
This segment that you want to serve and you want to target there you have to actually you can also look at this thing that positioning.

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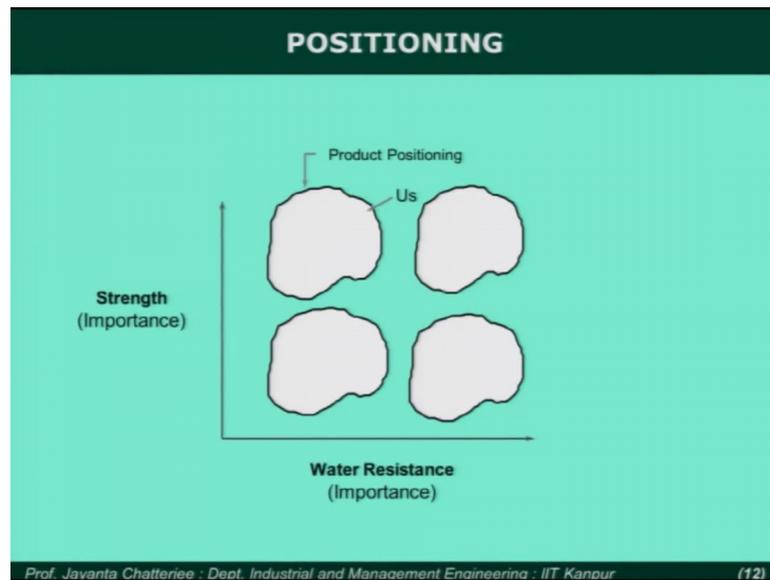
The positioning means you know I will relate to something that we discussed yesterday which is tam 1 and tam 2; that means, any company when they are starting with their product they cannot very seldom they can go a big bang you know at one time cover the entire market. So, you can either start with certain limited geography or certain limited types of customers limited types of usages.

So, which means that you will actually not be going big bang and you are actually going to release products, which cover every kind of requirement; you will perhaps actually here as you see a kind of lower on the water resistance, but very high on strength. So, as you said that suppose this is a carpet fiber to be used for a hotel reception area or institutional usage areas.

Where moisture issue is not an issue, but strength and durability is an issue. So, there you position yourself with respect to the like here as you see, this particular your position means your water resistance is reasonably on the approaching the higher site; but your strength is pretty much on the high side and this is your position this is where you are starting, this is the whole cluster of competitors whom you will have to address.

But you start here so this is your addressed market and this is your addressable market, as you can see here; that means, principal market for a particular type of product will not cover all segments, you might develop other products with different other properties to expand your product line we will discuss that in the perhaps in the next session.

You might one day cover all these segments, but you start somewhere and then you particularly address your market that particular segment of the market with an expansion orientation and if you want that kind of growth and if you want then you can have to create different other classes of products or product extensions or expand your line to address other kinds of segments.

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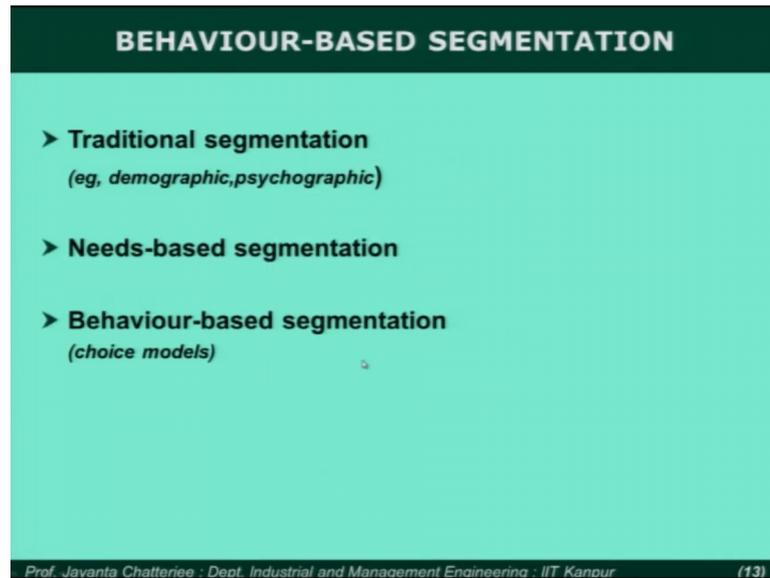
A different kind of segmentation is done where actually we look at behavior. So, the behavior can be sort of tip tippy fight or typical profiles can be created by way of demographic; that means, the age income group size of the residence or whether they have owned cars so on and so for.

These are using therefore, financial characteristics age oriented characteristics, residence oriented characteristics etc or it can be psychographic; that means, is it a young professional male luxury goods oriented person or a somebody who is actually you know educated professional say a professor a female professor or a female corporate executives.

So, like that using different kinds of persona as we call here actually you will have to describe the person in lot more detail like not only age, but what is the persons profession, what does she like what or the other products she buys all that we usually what we do is we often actually create what we call a mood board, where we try to sort of profile that particular customer not only from demographic point of view with

borrows few points from the demography, but what do we go focus on is what we call lifestyle and values. So, that is one way of a particularly very important psychographic segmentation for consumer products, be it fast moving consumer products or for consumer durables.

A psychographic is very important for when you actually are developing products for personal care health care and so on; then you can have a needs based segmentation where a particular type of this is quite used in industrial requirements also as well because, somebody may be looking for a particular type of gear which will be used in food processing machinery. So, therefore, they it has to be very safe from different contamination point of view and it will have to be some material which can be easily washed and completely cleaned. So, maybe it will be a high grade steel will be used or sometimes it may be using some synthetic material which is completely the nonreactive with respect to food properties and so on.

So, these are some specific needs and you have to you can actually also do segmentation based on that and there are of course certain other types of behavior based segmentation which is called choice modules; this is a little bit more mathematical I will see if we find time towards the later part of the course to discuss more about this choice.

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STEPS IN A SEGMENTATION STUDY

➤ Articulate a strategic rationale for segmentation (ie, why are we segmenting this market?).
➤ Select a set of needs-based segmentation variables most useful for achieving the strategic goals.
➤ Select a cluster analysis procedure for aggregating (or disaggregating customers) into segments.
➤ Group customers into a defined number of different segments.
➤ Choose the segments that will best serve the firm's strategy, given its capabilities and the likely reactions of competitors.

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So, to summarize segmentation is you first articulate the strategic need for segmentation; that means, your usually most products in today's highly competitive world will have a need of segmentation.

But you have to define why are you looking at segmentation from what perspective, is it because of your resource constraint, is it because your product has certain specific types of appeal, whether your product at this moment cannot cater very well to certain different kinds of applications. So, all these you must be very clear in your mind that why you are doing an approaching segmentation; the key point remains that it is very difficult to be everything to everybody, though therefore you try to be most things to somebody and you are trying to identify that somebody and that is the key to segmentation.

So, once you understand the needs and once you understand your strengths and weaknesses of your product, then you actually try to match that and then you can select some clustering procedure, where actually you can therefore aggregate look at other competitors, you can also therefore understand that what will be the size of your addressed market by way of a numbers and rupees potential income potential and so on.

And also sometimes you have to choose the segments depending on your organizations strategic need and resources and so on; like for example if you are booked if your company has a cash flow constraint, then you have to look for products and segments which are matched to be fast moving; therefore, you know you have a better cash flow or where you can get payments upfront and so on. So, you have to look at your organizations strategic situation from all aspects from financial aspect, from my marketing aspect, from organizational competency aspect. So, taking all of that into account you have to also modify if necessary your segmentation strategy.

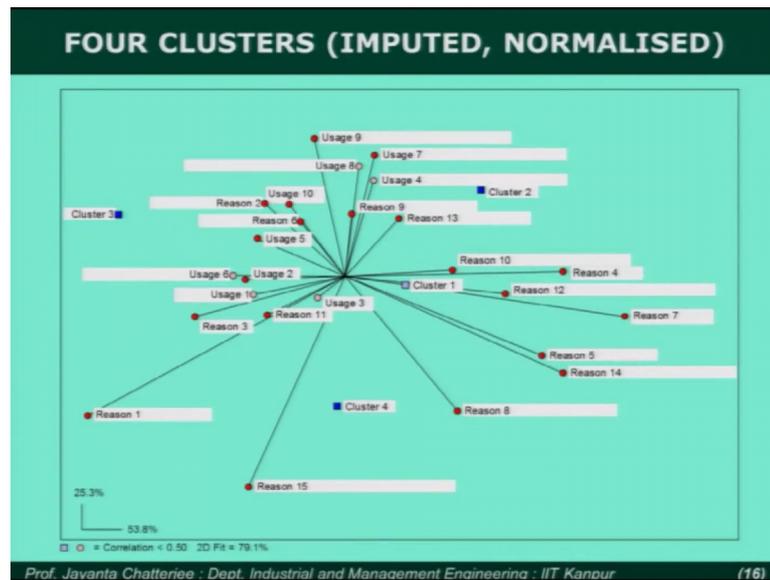(Refer Slide Time: 13:45)
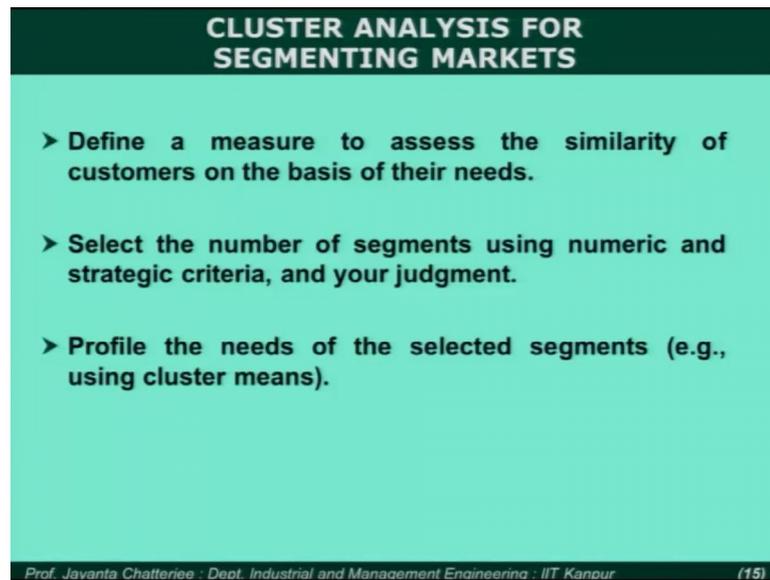
So, cluster analysis for segmentation of the markets here actually I will show some you know you can use some new numeric and strategic criteria. So, it could be size annual requirement in case of say industrial products. So, using this different ways you can as you see this is a particular technique that we have used here, the output will be like this. So, select numeric and strategic criteria use your judgment and profile the needs of the segments for this kind of clustering.
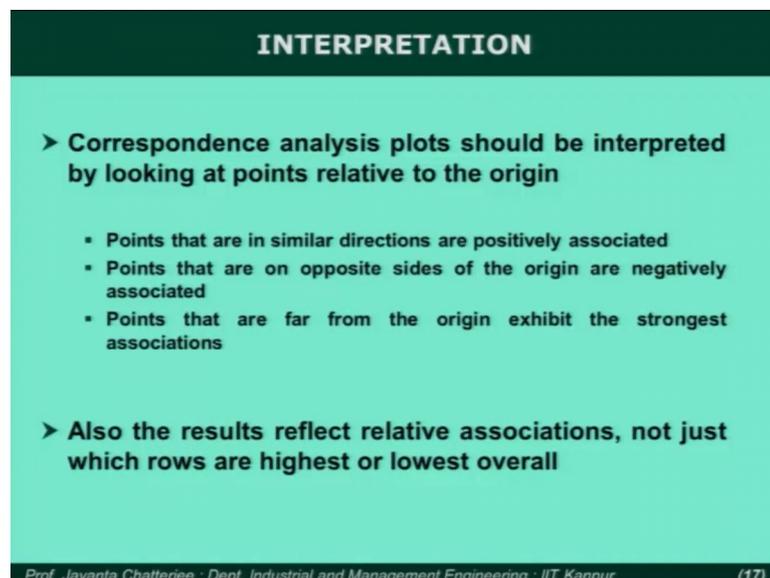
We used some modeling techniques for this and I will see if we can discuss 1 or 2 modeling techniques.

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But otherwise you can also find this kind of clustering technique from any standard statistics texts particularly statistics for business and management use, that how do you do this kind of clustering.

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And then accordingly you can plot and you can use that sort of graph, where you can therefore, create these different clusters.

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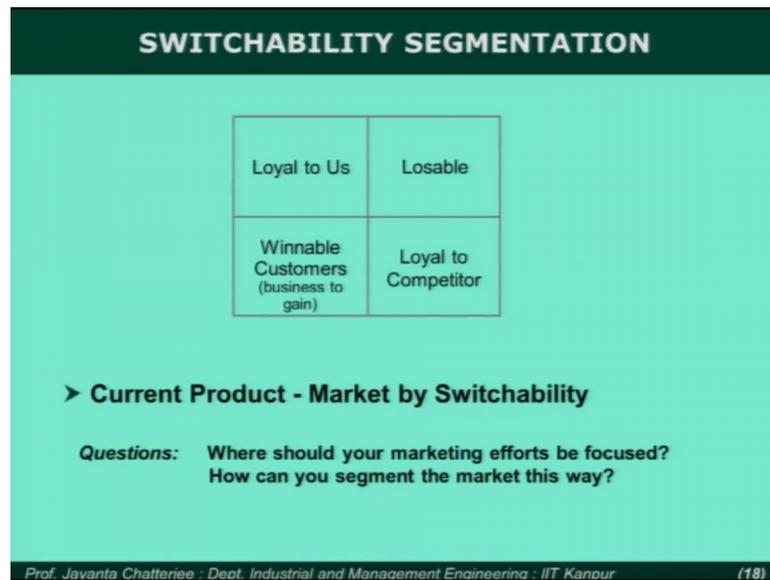
Let me look at some qualitative approaches also where actually you can have data and according to do this for example, we are calling it the switch ability segmentation. So, you see here we have divided the customers, our customer loyal to us and losable right; this will come from your front line from the buying pattern of those organizations it is often this kind of approach, is very important for most industrial products and there here you see these 2 segments here we have customers of your competitors.

But they are they have some dissatisfaction or there are some reasons why you feel you can win these customers away, you can win a customer away by offering superior value; that means, you are your product if it performs the need of like those customers better than the way they are being served today by your competitors they are your winnable customers and then of course there are people who will be loyal to your competitors.
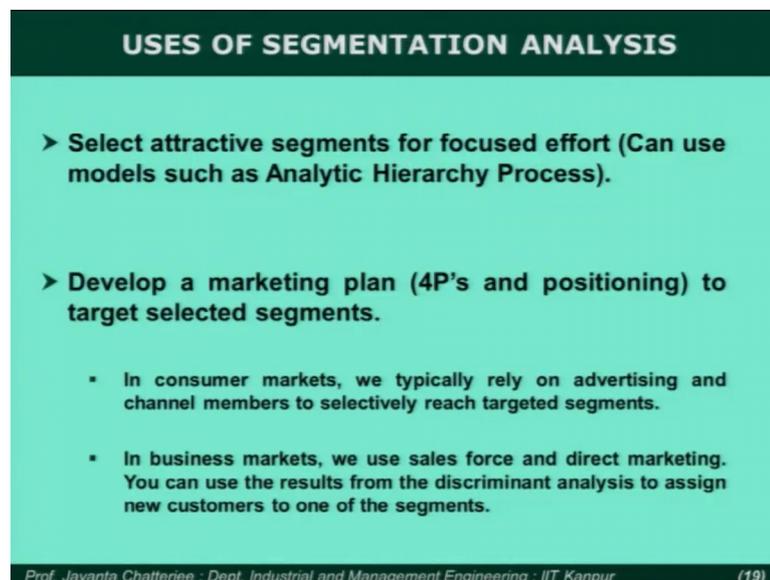
So, you see here this kind of segmentation tells us where to focus. So, here you have to focus on retention and here you have to judge that how valuable are these customers, we will later on discuss this lifetime value analysis of customers to know which customers are more important to us; this is actually a core of what we call customer relationship management because we know in relationship again focus is very important.

So, segmentation actually is another way of understanding that you cannot be everything to everybody. So, you need try to be most things to somebody. So, therefore, there in the losable there will be some people you would hate to lose. So, there you have to therefore,

develop some strategies and some people you feel I mean I know I may not be able to retain them, because there is some value mismatch maybe what they exactly need and what I am offering.

So, they may be looking for much lower price or they may be looking for certain technical attributes which you are not able to offer today your competitors can do that and similarly it is not very useful to focus on the people who are loyal to your customers. So, as you can see here your focus will be on retention loyal to us and here your focus will be on acquisition, because these are customers who you might acquire away from your company and few other usage of segmentation analysis.

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As I said that some of the modeling techniques that can be used like 1 is analytic hierarchy process AHP, a lot of material is available on the net to it is a very easy, but powerful tool that can be used to understand what kind of market share, you can have depending on your features and how important those features are for the customers. So, if you actually do a customer survey from there you understand that which factors customers want and how important those factors are in their sort of a mental ranking or which is most liked and which is most important to the least important kind of this.

And then using that you can actually compare your products with other products from where you can actually very nicely develop something what we call an imputed or logically targetable market share and this is a simpler approach and then they are more

developed approach here where we can do various kinds of multi criteria analysis is AHP. So, I will actually discuss later on when we have covered some other topics, this kind of usage for doing a segmentation and market share projection and so on.

This developing a marketing plan or marketing mix the 4P's etc; those we will be taking up next week and then we all these points will become that once you have actually identified a segment and you know what kind of positioning you are going to take in that targeted segment, then comes the deployment strategy; that means, how are we going to translate that positioning with respect to that target segment.

So, what kind of pricing we will use, what kind of promotion we will use, what kind of channels to market we will use and what kind of product packaging or offer, but when we say offering we actually talk about not only the core product, but all kinds of augmentation that we actually do to the product, when we put it in the market we will discuss that. So, usually this because these all these 4 words product promotion place that is distribution place all these come start with p. So, actually we often call this marketing mix first 4P, we will discuss that that will be our topic in the coming week.

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So, in summary STP is extremely important, so first come CVP customer value proposition and for any product this is a you can say that trajectory CVP and the next step is STP, that is understanding the segment where this product will be most appealing

and kind of positioning based on your customer value proposition for targeting that segment efficiently.

So, different types of segmentation we have discussed in the last session and today's session some techniques that can be deployed and I have a sort of also indicated some later on some of the more advanced modeling stuff that I will take up; the segmentation strategy deployment or mechanisms to translate this STP is what we call the marketing mix which we will discuss in the following sessions; not exactly the next session, but further sessions over the next 10 days or so there we end today.

Thank you.