

Business Development From Start to Scale
Prof. C Bhaktavatsala Rao
Department of Management Studies
Indian Institute of Technology, Madras

Week - 06
Business and Market Segments
Lecture - 26
Market and Market Descriptors

Hi friends welcome to the NPTEL course Business Development: From Start to Scale. We are in week 6 with the theme of business and market segments, in this lecture the 26 to 30 series we discussed the topic of Market and Market Descriptors.

(Refer Slide Time: 00:27)

What is a Descriptor?

Descriptor is a characteristic of anything (market, product, institution or person, for example). It is a unique identifier. Descriptors make things easier for people to transact or associate oneself with the item or entity.

High-GDP diversified economy

Multi-ethnic and multi-linguistic society

Specialised industry verticals

Business verticals of the company

Product lines of the company

Customers of various segments

Anything can be identified by a descriptor

Nation

Society

Industry

Company

Product

Customer

Companies that segment customers, products and markets based on descriptors ensure focus.



What are Market Descriptors? Descriptor is a characteristic of anything be it market product institution or person for example. It is a unique identifier descriptors make things easier for

people to transact or associate oneself with the item or entity. Let us take the case of India as a nation India is the name; however, it is described as high GDP diversified economy in the current context a society may be known by the society's name.

However, it can also be described in the case of India as multi ethnic and multi linguistic society. Industries can be described by their specialized industry verticals; companies can be having descriptors of the business verticals of the company. A product may have descriptors related to product lines of the company; for example, high end motorbikes. Customers are of various segments companies that segment customers products and markets based on descriptors ensure focus.

(Refer Slide Time: 01:31)

Major Decisions in Marketing

Segmentation is the sub-domain of marketing that translates the macro selection of market into a targeted segment that achieves the best fit with the customer needs and fulfills the growth requirements of the firm.

Which Macro Market to Enter?

- National?
 - Pan-Indian?
 - Regional?
- International?
 - Developed Markets?
 - Regional Markets?

Which Market Segments to Enter in Each Case?

- Customer Characteristics
- Product Attributes
- Experience Match
- Mutual Viability

Typically, each market segment should have a marketing strategy, a marketing plan, an execution programme and a monitoring framework. Market segmentation and product choice are closely connected with each other.



What are the major decisions in marketing? Segmentation is the sub domain of marketing that translates the macro selection of the market into a target segment that achieves the best fit

with the consumer needs and also fulfils the growth requirements of the firm. When we have segmentation as the key plank of marketing, we always have decisions in terms of which segment to consider. So, which market to enter is at a global level.

Let us say you consider yourself a global company, the question for you therefore is would I be national, would I be international. When you think of yourself as a national company would I be pan Indian or would I be regional, similarly when you look at international segmentation of your business should I be looking at only developed markets or only regional markets or both.

So, which market segments to enter in each case, there you have to look at more deeply customer characteristics, product attributes, experience match that is customer and company experience match and mutual viability. Typically each market segment should have a marketing strategy, a marketing plan, an execution program and a monitoring framework market segmentation and product choice are closely connected with each other.

(Refer Slide Time: 02:55)

National and International Markets

At the broadest level, the universal market (or the global market) can be seen in terms of two segments – the national market and the international market. The fulcrum is where the company is situated.

National markets are those in which a firm has all or substantial part of its operations

International markets are those in which the firm does not have substantial operational presence

The home country and the home national market are also called the domestic market. The home country itself is comprised of several markets.

A firm views its international markets as its export markets, with each such market being different in its characteristics

This differentiation between national and international markets is getting blurred with increase in the level of globalization of industries and companies. We have earlier considered the example of EU.



We have seen that macro markets can be described as national or international. So, let us look at the definitions of these two segments. The fulcrum essentially is where the company is situated. National markets are those in which a firm has all or substantial part of its operations the headquarters is there, the manufacturing and R and D facilities are there and even substantial sales and marketing operations exist in the national market. It is also called the home market or the domestic market.

But the home market itself may be comprised of several markets state wise or location wise. In contrast international markets are those in which the firm does not have substantial operation presence, that is in the national markets a firm has got its facilities and its capabilities operations. But for such a firm international markets are those in which the firm does not have substantial operational presence.

These firms view their international markets as their export markets, with each such market being different in its characteristics. The differentiation between national and international markets is getting blurred with increase in the level of globalization of industries and companies. Nevertheless, we will consider always the headquartered market as the national market in most cases.

We have earlier considered the example of EU as an example of globalization, but even there we have a Swedish based manufacturer, a France based manufacturer and others.

(Refer Slide Time: 04:35)

Indian Experience

From a developed country perspective, every company of standing has first established itself in its home market or nation. It catered to its national market first, and then moved to the international markets.

Developed Country Companies

- Established strongly in the native market with high-scale
- Later aggressively into the external markets

Indian Companies

- Generally first in the native market, with low scale
- Later tentatively into the export markets

If one were to go back in history, most Indian companies have been a result of foreign collaborations although over the years they became truly indigenous. Exceptions, however, exist in some fields.



Indian experience has been slightly different, in the developed country companies the companies have been established strongly in the native market with high scale of production and consumption, later on they moved aggressively into external markets. If you see the Japanese automobile industry all the Japanese automobile plants came up strongly based on

the Japanese market, until the 1970 and 80 Japanese have been predominantly Japanese market oriented.

However, after the fuel economy norm set in they had aggressively diversified into the developed markets particularly US and Europe. Companies such as GE established themselves in the giant US markets and then moved to other developing countries. Whereas, Indian companies have differences on 2 fronts one they are of course, in the native market that is the Indian market.

But their progress has been on a low scale because of the prevailing license large prior to the 1990 they moved later into export markets, but that movement has been only tentative. As opposed to global companies which have at least 50 to 50 percent of turnover coming from markets other than the home markets, Indian companies have rarely touched beyond 10 percentage in their overall export drive.

Also, if one were to go back into the history most Indian companies have been a result of foreign collaborations that is collaborations which brought technology and knowhow into India and also came with such a move restrictions on internationalization of Indian companies. However over the last few years Indian companies have become truly indigenous as well as truly globalized.

(Refer Slide Time: 06:26)


NPTEL

Exceptional Industries and Firms

Some Indian firms, from inception, looked externally based on indigenous talent and created industries around them.

| | |
|---|---|
|  Information Technology <ul style="list-style-type: none">Indian companies began serving global clients from the beginningEven today, the participation of big IT firms in Indian market is a small part of their turnover |  Jewellery <ul style="list-style-type: none">Companies such as Rajesh Exports built their businesses wholly on jewellery exportsIndia's competitive advantage in gem and jewellery manufacture drives such companies |
|  Pharmaceuticals <ul style="list-style-type: none">Some Indian pharmaceutical companies started as 100% Export Oriented UnitsDespite the possibility of local marketing, they remained export oriented units |  Spices <ul style="list-style-type: none">India is known as the home of spicesNot surprising, therefore, that some companies looked at international rather than local markets |
|  Apparel <ul style="list-style-type: none">Many companies tapped export markets intensivelyThey built their businesses on contract manufacture for global supply chains |  CDMO <ul style="list-style-type: none">Companies such as Suven focused only contract development and manufacture for global clientsThey are 100% export oriented |

The emergence of such companies and industries is a combination of the competitive advantage of such firms on one hand and their perspicacity in segmenting the global markets on appropriate factors.



There have been at the same time more exceptions in the Indian case some Indian firms have from inception looked externally based on indigenous talent and created industries around them. They have been out and out export focused from the inception which is a rare case, but it has also been proven in India that India could do it. Even in the era of controls and licenses information technology is a growing example.

Indian companies began serving global clients from the beginning say from the 1980 itself, even today the participation of big IT firms in the Indian market is just a small part of their turnover. Pharmaceuticals is another area where Indian firms have excelled, some Indian pharmaceutical companies started as 100 percent export-oriented units from the beginning.

Despite the possibility of local marketing, they remained export oriented units. Apparel is another industry segment where many companies tapped export markets intensively, they

build their businesses on contract manufacture for global supply chains. Jewellery is another sector where the Indian craftsmanship and the test for jewellery has propelled it as an externally oriented sector, companies such as Rajesh exports build their businesses only on jewellery exports.

India's competitive advantage in gem and jewellery manufacture thrives such competencies spices is a natural lookout market. India is known as the home of spices not surprising therefore is that some companies have always looked at international rather than local markets. CDMO that is contract development and manufacturing organizations companies such as isuvi focused only on contract development and manufacture for global clients they are 100 percentage export oriented.

The emergence of such companies and industries with a thoroughbred export orientation from the beginning is a combination of the competitive advantage of such firms on one hand and their specificity in segmenting the global markets on appropriate factors.

(Refer Slide Time: 08:34)

India's Growth Strategy – Gem and Jewellery Sector

- ❑ The gem and the Jewellery sector contributed to nearly 10% of the Government of India's (GoI's) export target in 2021-22. The GoI is working towards further improvement by signing two trade agreements: the India-UAE Comprehensive Economic Partnership Agreement (CEPA), and the India-Australia Economic Cooperation and Trade Agreement (ECTA)
- ❑ ECTA is expected to unlock millions of dollars of additional trade due to the preferential access accorded towards India's G&J exports to Australia. The two countries have bilateral trade of \$950 million for G&J commodities. Similarly, CEPA should boost India's bilateral trade of bullion and G&J to the tune of \$10 billion annually.
- ❑ The main commodities imported from Australia are gold and silver bars. India accounted for about 6% of Australia's total worldwide imports of G&J of \$7.63 billion in 2021. Australia would also benefit from access to areas where India is a world leader, like diamonds
- ❑ The commerce ministry is investing Rs 200 crore to improve the export-focused manufacturing ecosystem of the Santacruz Electronics Export Processing Zone (SEEPZ) in Mumbai, and Rs 70 crore towards the mega common facility centre (CFC) for gems and jewellery in SEEPZ as a part of India's growth strategy
- ❑ Use of AI, lab grown diamonds, emergence of hybrid retail models etc. have transformed the supply chain of G&J industry. The new ecommerce policy for G&J sector announced in June 2022 will help Indian jewellery manufacturers to have direct access to jewellery consumers across the world and achieve its objective of becoming 'jeweller to the world'

<https://economictimes.indiatimes.com/>




Let us take the example of the gem and jewellery sector in a little more detail, the gem and jewellery sector is so large that it has contributed to nearly 10 percent of the government of India's export target in 2021-22. And the government of India has recognized the importance of having trade agreements and common markets of mini scale.

The India UAE comprehensive economic partnership agreement and the India Australia economic cooperation and trade agreement or examples of that. These are expected to unlock millions of dollars of additional trade of G and J exports to Australia and also to the other Gulf countries.

The main commodities imported from Australia are gold and silver bars and India crafts jewellery out of those and then exports back to various other countries. The commerce ministry also is investing crores of rupees to improve the export-oriented manufacturing

ecosystem of special economic zones related to gem and jewellery sector. Use of artificial intelligence, lab grown diamonds, emergence of hybrid retail models are all combining to drive India's international presence in the gems and jewellery sector.

The new economic and new E commerce policy for this sector also would help Indian jewellery manufacturers consolidate their international orientation. It is therefore, possible for Indian companies to look globally from inception and make a strong mark in the international markets. India in this sector could become the jeweller of the world just as the Indian pharmaceutical industry has become the pharmaceutical capital of the world.

We are also hoping that in Indian automobile industry would come to the third and second ranks sooner than later, that is the potential that is available in India's growth strategy and when it looks at the macro markets in terms of both national and international markets.

(Refer Slide Time: 10:32)

Global Segmentation Logic

The macro view of global markets considers how markets at high levels are segmented based on certain factors.

- Many emerging markets may offer production and consumption potential but only a few offer additionally a large skill base
- Many markets may have some natural resources but India has an abundance of certain natural resources, and many more can be discovered with investments and technologies
- Many markets may have the ability to pay marked-up prices but India has the ability to be cost-competitive

Industry Structure
↓
Business Strategy
+
Market Structure
↓
Marketing Strategy

Segmentation has not only a market logic but also a business logic – structure and strategy of a market are important.



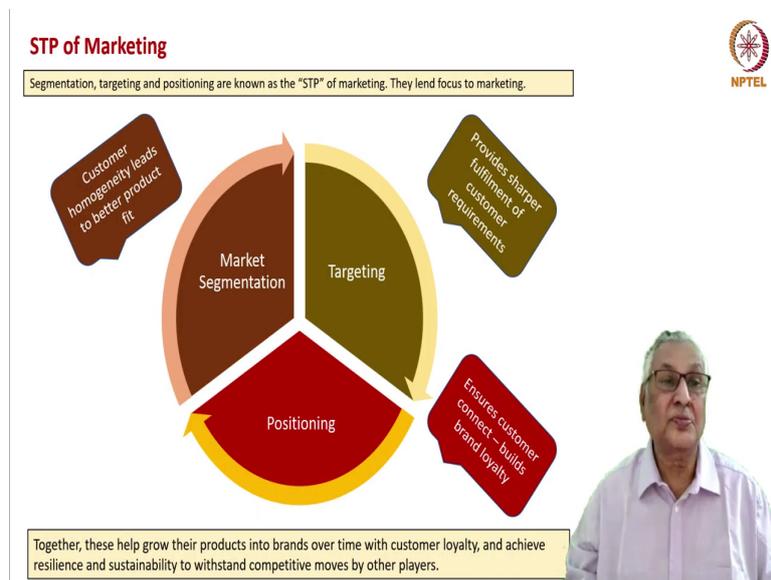
What is the logic for global segmentation? Why do companies look at different geographies and why do companies enter into such geographies? There are 3 essential drivers for global transnational to come to various markets. In respect of skills the logic is very clear many emerging markets may offer production and consumption potential, but only a few offer additionally a large skill base.

Secondly, many markets may have some natural resources, but India has an abundance of certain natural resources and many more can be discovered with investments and technologies. Many markets may have the ability to marked up prices, but India has the ability to be cost competitive as the chief executive of Nissan has said that we come to India not because of the frugal design, not because of the large consumption market.

But because we have to operate in the market which is technology sensitive as well as price sensitive and that offers a great challenge for managers and leaders to offer the best products at the least prices. So, that is the challenge and that is also the opportunity for global companies to come into India. Industry structure leads to business strategy which leads to market structure and together they become the market strategy.

Segmentation has not only a market logic, but also a business logic; structure and strategy of a market are important therefore, this integrative courses has focused not only on business development per say as the integrative discipline. But also on marketing strategic marketing business strategy and corporate strategy, some of the topics of course will be covered as we move towards the later parts of the course.

(Refer Slide Time: 12:19)



STP of marketing, what are STP? They reflect segmentation targeting and positioning and these are the core concepts of marketing, they lend focus to marketing. Customer homogeneity leads to better product fit therefore, we need market segmentation, targeting helps us shopper fulfilment of customer requirements; therefore, targeting is required positioning ensures customer connect.

It builds brand royalty together market segmentation targeting and positioning help grow products into brands over time with customer loyalty and achieve resilience and sustainability to withstand competitive moves by other players. STP of marketing is therefore essential it builds on market segmentation in terms of targeting and positioning.

(Refer Slide Time: 13:11)

Segmenting Consumer Markets

A market segment consists of a group of customers and consumers who share a similar set of needs and wants. Ideally, the marketer should identify all the potential market segments, and choose the ones that are appropriate.

```
graph LR; MS[Market Segmentation] --- G[Geographic]; MS --- D[Demographic]; MS --- P[Psychographic]; MS --- B[Behavioural]; G --- G1[National, Regional, State, City, Urban, Rural etc.,]; D --- D1[Age, Lifecycle, Education, Work, Gender, Income, Generation, Race, Culture, Religion]; P --- P1[Personality Traits, Lifestyle, Values]; B --- B1[Responses based on the knowledge and attitude towards products];
```

No single factor can define a market segment completely. There would be many overlaps. What works for one product may not work for another. This makes market segmentation both challenging and exciting.



How do we segment consumer markets? Market segmentation is extremely important whether they are business consumer markets or consumer markets a market segment consists of a group of customers and consumers who share a similar set of needs and wants this is a principle which we discussed in earlier lectures also. But we will give sharper focus to this concept here.

Ideally the marketer should identify all the potential market segment and choose the ones that are the most appropriate for the company. The first part of market segmentation is geographic, it is in terms of the nation region state city urban rural etcetera. The second important segmentation criteria is the demographic segmentation, age, life cycle, education, work, gender, income, generation race, culture and religion are some of the demographic criteria for segmentation on the demographic lines.

Psychographic is the third important aspect, psychographic segmentation is based essentially on personality traits lifestyle of an individual and the values exposed by the individual. Behavioural segmentation is based on the responses and in turn based on knowledge and attitude towards the products, no single factor can define a market segment completely there would be many overlaps.

What works for one product in 1 segment or combination of segments will not work for another product, this makes market segmentation both challenging and exciting.

(Refer Slide Time: 14:51)

Indian Demography: Rural-Urban Markets

For long, it was considered that urbanisation drives demand for goods and services. Whether because of Covid or otherwise, rural demand outpaced urban demand in India supporting the economy in tough times.

The growth rate of rural demand has been twice that of urban in FMCG, in certain quarters

Many consumer durable industries are growing based on rural demand

Small towns are even willing to accept higher prices from those who serve rural population

Interestingly, electronic products are witnessing higher growth and better pricing in rural

Two Imperatives

- Ability to penetrate the rural markets and cater to the unmet rural demand
- Ability to meet the demand from increased urbanisation

From FMCG to automobiles and from Internet to smart devices, there seems to be a great opportunity for marketers in rural India. Business development has to be responsive to all segments and responsible too.

NPTEL

The slide features a central diagram with four green boxes arranged in a diamond shape, connected by a light blue double-headed arrow. To the right of this diagram is a blue rounded rectangle containing the text 'Two Imperatives' and two bullet points. A small circular logo with a star is located in the top right corner of the slide area. A video overlay of a man in a white shirt and glasses is positioned in the bottom right corner of the slide.

Let us look at the Indian demography primarily we have a big divide in terms of rural and urban, but today we are saying both these are merging together in terms of their customer needs. For long it was considered that urbanization drives demand for goods and services this

is a true matter because, urbanization was 30 percent and is now moving towards 40 percent; rural was 70 percent now it is around 60 percent.

Whether because of COVID or otherwise; however, rural demand outpaced urban demand in India supporting the economy in the toughest of times in 2020 and 2021. Therefore, marketers cannot simply wait for urbanization to bring them all the laurels, the marketers have to look at the rural demand expand the rural demand the rural demand may expand beyond the population share and beyond the population growth rate in the rural area.

Some pointers the growth rate of rural demand has been twice that of urban in FMCG in certain quarters rural demand must not be confused with rural population or rural population growth rate. The per capita consumption in an urban population region has always been higher than that in the rural population region.

Therefore, there is that much more capability of the rural market in terms of absorbing a higher level of demand products than the urban sector. Therefore, the rural demand has to be looked at seriously regardless of the pace of organization.

Another important aspect is that many consumer durable industries are now growing based on rural demand be it automobiles or other appliances there is strong demand in the rural markets. FMCG has of course been driving its growth power through the rural markets. Another interesting case of the rural markets is that small towns are even willing to accept higher prices from those whose serve rural population.

Principally because of the information imperfection and also because of the limited competition that exists in terms of reaching out to the rural markets. Interestingly electronic products are witnessing higher growth and better pricing in rural; it is also interestingly linked to the work from anywhere kind of syndrome that has come about after the COVID pandemic.

There are 2 imperatives for this in terms of the marketing strategy one the marketer must have the ability to penetrate the rural markets and cater to the unmet rural demand, improve the per

capita consumption in the rural markets that will open up a huge demand base. Ability to meet the demand from increased urbanization that is a clear to be pursued from FMCG to automobiles and from internet to smart devices there is certainly a great opportunity for marketers in rural India.

Business development has to be responsive to all segments, but at the same time it has to be responsible too.

(Refer Slide Time: 18:01)

India's Demographic Profile

Even if population growth rate keeps declining marginally, the growth in demand will keep increasing in India.

| Population (2020) | Yearly Change | Global Share | Global Rank |
|-------------------|---------------|--------------|-------------|
| 138 Crore | + 0.99% | 17.71% | 2 |

Urban vs. Rural Population in %

India Population Growth Rate in %

India's demographic trends are not so well-researched and captured as they should be. Indian Census takes place with a 10-year lag while studies by CMIE and NCAER are not that comprehensive and granulated.

Even if population growth rate keeps declining marginally, the growth in demand will keep increasing in India. I have already informed you of the factor driving that the per capita consumption of goods are nowhere near what is enjoyed by the developed world. So, if the quality of life also has to improve along with the increases in population, increases in the

higher income bearing populations be in the urban sector or in the rural sector; the demand for goods will only go up.

But along with that will the demands be for more perspectives in segmenting the markets. Unfortunately, however the Indian demographic trends are not so well researched and captured on a real time basis as they should be.

Indian census takes place with a 10 year lag while studies by CMIE and NCAER are not that comprehensive and granulated with 138 crore population with an one percent yearly growth with a global share of 17.7 percent in the overall global population and the ranking of number 2, China being number one there is always extra potential for the Indian market to outpace the global markets.

(Refer Slide Time: 19:16)

Growth in Rural Demand

Statista forecasts, as do several other analysts', indicate that rural demand will see exponential growth in the future.

RURAL SECTOR DRIVES GROWTH

| Region | Q1 2020 | Q2 2020 | Q3 2020 |
|---------------|---------|---------|---------|
| Rest of India | 3.3 | -22.4 | 4.4 |
| Rural India | 2.9 | -13 | 10.6 |

Source : Data by Neilson, reproduced by Hindustan Times

In many categories, although rural population is over 60%, companies are able to market and sell only 20 to 30% of their products in the rural markets. The potential upside is evident.

The growth in rural sector demand supported the Indian economy in the pandemic year 2020-21 and in 2021-22. And, there is no reason why rural share of the overall consumption cannot be higher even in normal years.



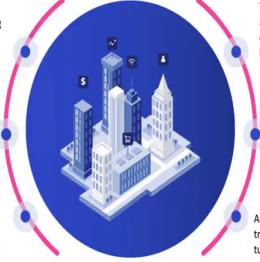
As I said the growth in rural demand is very important in the rest of the India after the COVID pandemic the demand contracted by 22.4 percent, but in rural India the demand contraction has only been to the extent of 13 percent. After the lockdowns in the Q 3 2020 period the rest of India boomed by 4.4 percent.

But the rural India had a staggering growth of 10.6 percent that is more than double that of the rest of the India. In many categories although rural population is over 60 percent companies are able to market and sell only 20 to 30 percent of their products. In the rural markets because of the supply chain logistics inability or lack of creativity in providing small lots to the diversified rural households.

And simply ignorance of the importance of rural markets, the potential upside in looking at rural sector seriously is evident. The growth in rural sector demands supported the Indian economy in tough times and I have a very belief that in future when the times are going to be good, the overall consumption also will be improved with urban demand as well as the increased rural demand.

(Refer Slide Time: 20:38)

Middle Class Turning Indian Cities into Growth Engine



The 63 biggest cities in India contribute to more than quarter of its middle class. They generate 29% of India's disposable income, fuelling an economic boom as it drives the demand for goods and services

A recent survey by the think-tank, People Research on India's Consumer Economy (PRICE), suggests that the changes taking place in the cities serve as the engines of growth for India as Asia's third largest economy.

The survey which focused on 63 Indian cities with more than 10 lakh population in 2021 showed that the million-plus cities account for a large share of the country's middle class (27%) and rich (43%)

The survey also showed that there are 38 niche cities with a population of 1 to 2.5 million that showed a very high spending per household

In the metros, nearly 55% of households were middle class and 13% were rich. 32% were aspirers.

As per MoHFW, 2019, the economic transformation in India has reached a turning point where half of the country would be urban in a few decades. The urban growth is expected to contribute to 73% of the total population increase by 2036.

Source: <https://timesofindia.indiatimes.com> (November 30, 2022)



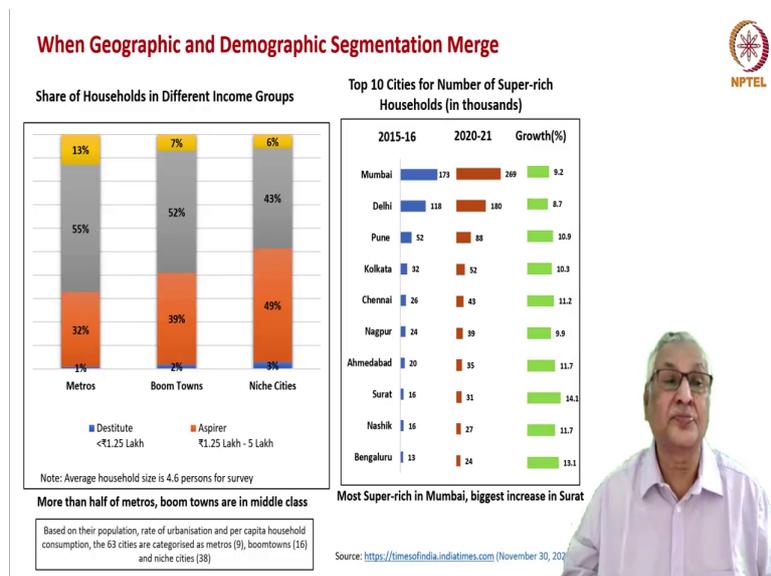
Another important aspect is that within urbanization there is a growing affluent middle class that is turning the Indian cities into growth engines. The 63 biggest cities in India contribute to more than part of the middle class, they generate 29 percent of India's disposable income. Fuelling an economic boom as it drives the demand for goods and services this is a survey by the think tank people research on India's consumer economy called price.

It suggests that the changes taking place in the cities serve as the engines of growth for India as Asia's third largest economy in 63 cities with more than 10 lakh population in 2021. The million plus city is accounted for a large share of the country's middle-class 27 percent while the rich accounted for 43 percent. Within these cities there are 38 niche cities with a population of 1 to 2.5 million that showed a very high spending per household.

In the metros nearly 55 percent of the households were middle class and 13 percent will reach 32 percent were aspires. As per a government ministry position the economic transformation in India has reached a turning point, half of the country would be urban over the next few decades. The urban growth is expected to contribute to 73 percent of the total population increase by 2036.

That said as I said in the previous discussion we cannot ignore the rural market, because the ripple effect of urbanization will spread to the rural markets and compared to the urban level of absorption of goods the rural level of absorption of goods is far below. Therefore, the upside for rural economic development is far greater and therefore, the demand for goods and services from the rural sector is going to be far higher.

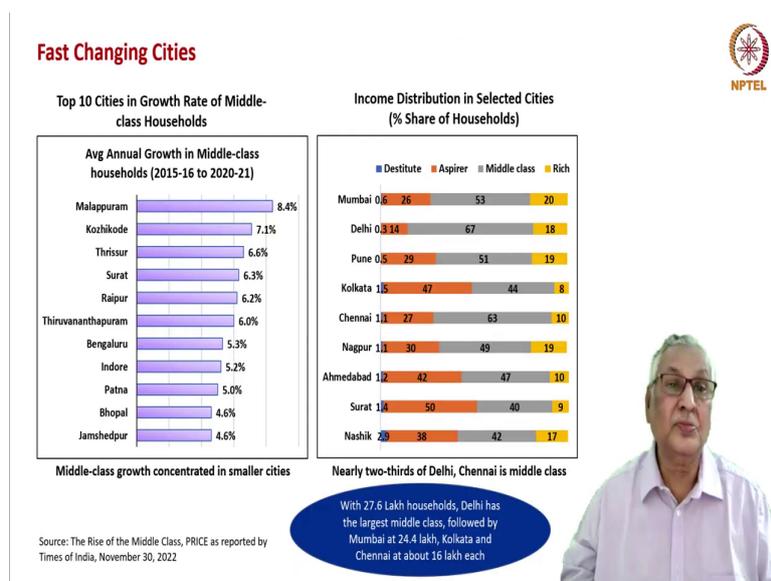
(Refer Slide Time: 22:32)



Let us look at the Geographic and Demographic segmentation in greater detail. Share of households in different income groups in metros boom towns and niche cities has been as follows. Similarly, when you look at the top 10 cities for the number of super rich households in thousands, there are different cities at different scales of super richness. However, the growth rates have been very good.

So, the rate of urbanization and per capita household consumption is leading us to classify 63 cities as metros that is 9 in number, boom towns 16 in number and niche cities 38. So, this is a quite a large number for driving urban lead growth.

(Refer Slide Time: 23:19)



There are these fast ending cities top 10 cities in growth rate of middle class households it ranges from 4.6 percent in the steel city of Jamshedpur to the highly literate city of

Malappuram in Kerala at 8.4 percent. And income distribution in selected cities has also been very strong the destitute aspirer middle class.

And rich is having significant changes in terms of movement towards the middle class and rich and that is going to drive lot of growth in demand from these cities. With 27.6 lakhs households Delhi has the largest middle class strength, followed by Mumbai at 24.4 lakhs, Calcutta and Chennai at about 16 lakhs each. So, in a concentrated manner the cities are representing the highest weightage in terms of demand pool.

(Refer Slide Time: 24:19)

Psychography: The VALS Segmentation System

Values and Lifestyle Survey (VALS) was developed in 1978 by consumer futurist Arnold Mitchell and his colleagues at SRI International. It was embraced by advertising agencies and became a product of SRI's consulting services division.

The main dimensions of the VALS segmentation framework are primary motivation (the horizontal dimension) and consumer resources (the vertical dimension).

Personality traits coupled with demographic trends determine a customer's disposition.

VALS framework suggests that customers take decisions motivated by their ideals, achievement and self-expression.

High level of individual resources such as energy, self-confidence, intellectualism, novelty seeking, innovativeness, impulsiveness, leadership and vanity determine how they prime their purchasing intentions.

Innovators at the top On leading edge of change; Have high resources

Thinkers and Believers Driven by knowledge and principles, and motivated by ideals

Survivors at the bottom Do not seek change; Have the lowest resources

Achievers and Strivers Driven by the need to demonstrate success and motivated by achievement

Experiencers and Makers Driven by the desire for social and physical activity and motivated by self-expression

The framework presented in the previous session of six personality types is more specific and concise. To recall...

NPTEL

Next, we will come to the other topic which is very important in terms of understanding the Psychography of markets. The VALS segmentation system is a very interesting system it is the abbreviation for values and lifestyle survey. This was developed in 1978 by consumer

futurist Arnold Mitchell and his colleagues at Sri International. It was rapidly embraced by advertising agencies and it became a product of SRI's consulting services division.

The main dimensions of the VALS segmentation framework are 2, 1 primary motivation which is the horizontal dimension and 2 the consumer resources the vertical dimension although I have not presented the exact VALS network here I have tried to present the essential concepts. Personality traits coupled with demographic trends determine a consumer's disposition towards a product or service. VALS framework suggests that customers take decisions motivated by their ideals achievement and self expression.

Then individuals have high level of resources such as energy, self confidence, intellectualism, novelty seeking, innovativeness, impulsiveness, leadership and vanity these determine how they prime their purchasing intentions. So, at a broad level we can classify as per the VAL Psychography the customers or consumers into 3 operating buckets, 1 Thinkers and believers they are driven by knowledge and principles and are motivated by ideals.

Achievers and strivers they are driven by the need to demonstrate success and are motivated by achievement. Then we have experiences and makers these people are driven by the desire for social and physical activity and motivated by self expression. Apart from these 6 we have innovators at the top they are always at the leading edge of change.

They have high resources and they are in the forefront of driving industrial change business change, then we also have survivors at the bottom. They do not seek change they have the lowest resources to flip between products are going for the more modern products. The framework presented in the previous section of previous session of 6 personality types is more specific and concise related to this. Therefore, I will try to recall for you that particular slide.

(Refer Slide Time: 26:48)

Different Types of Customer Persona – A Recap

Customers, even within a common demographic and socio-economic group, exhibit different psychological profiles.

| | | | |
|-------------------------------|--|----------------------------|---|
| Analytical Customers | <ul style="list-style-type: none">• Take logical, data based decisions• Evaluate and validate their decisions | Dynamic Customers | <ul style="list-style-type: none">• On the lookout for something new• Quick to switch at the first alternative |
| Experimental Customers | <ul style="list-style-type: none">• Tuned towards the new and innovative• Usually driven by high expectations | Demanding Customers | <ul style="list-style-type: none">• Seek high quality at low prices• Cost leadership with product differentiation |
| Impulsive Customers | <ul style="list-style-type: none">• Influenced by instincts and appeals• Not worried about need fulfilment | Loyal Customers | <ul style="list-style-type: none">• Conformist, going by past association• Passive, rather than active decision making |

Different customer personalities require different marketing approaches, even if the product platform remains one.

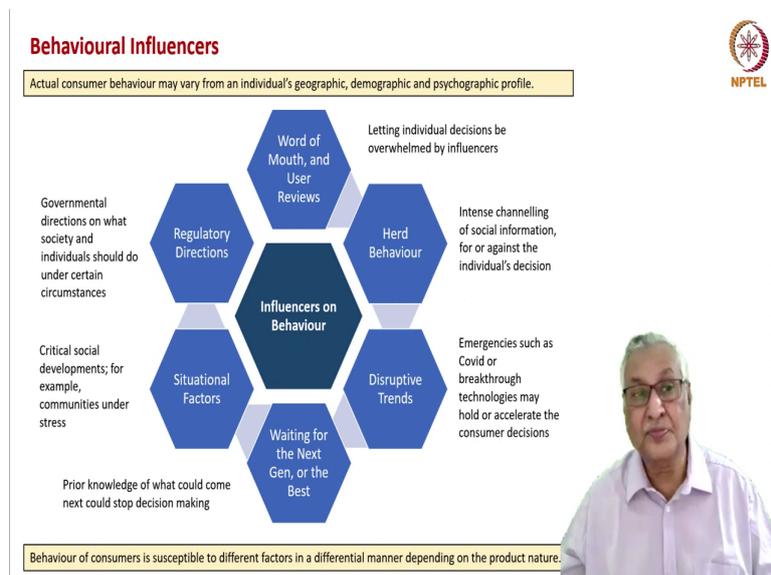


I said that there are Different types of Consumer Persona, even within a common demographic and socio-economic group. We have people exhibiting different psychological profiles we have analytical customers they take logical database decisions they evaluate and validate their decisions. We have experimental customers they are always tuned towards the new and innovative they are usually driven by high expectations.

Then we have impulsive customers these people are influenced by instincts and appeals not worried about need fulfilment. Then we have dynamic customers they are always on the lookout for something new quick to switch at the first alternative, there are demanding customers who seek high quality at low prices and they seek cost leadership with product differentiation. Then there are loyal customers who are conformist they go by their past associations they are passive rather than active in terms of decision making.

Different customer personalities require different marketing approaches, even if the product platform remains one it is quite possible that you have a Smartphone and you may be offering the smart phone to all these 6 types of customers. Then how do you titrate your marketing strategies, how do you titrate your product positioning they realize the challenge for the marketing person.

(Refer Slide Time: 28:07)



There are several behavioural influences which act on the behaviours of individual customers. An individual geographic democratic and psychographic profile may point to something, but actual consumer behaviour could be different. These differences could be due to the various influences that exist in and around us.

The influences on human behaviour in terms of purchase or the following one word of mouth and user reviews; they let individual decisions be overwhelmed by influences which is one of

the reasons why all e-commerce sites make it a point to have extensive user reviews which in most cases provide a positive review of good products.

Second there is always this Herd Behaviour, there is intense channelling of social information for or against the individual decision that leads to a kind of communized behaviour patterns from the groups of individuals. Then there are Disruptive trends emergencies such as COVID or breakthrough technologies may hold or accelerate the customer decisions.

In respect of personal protective equipment such as gloves such as mask and also hand sanitizers a disruptive trend such as COVID induced hygiene and cleanliness has driven the demand sky high. Then there could be prior knowledge of what could come next and that could stop decision making. That is waiting for the next gen or the best and that weighting becomes even more when the gap between one generation to the other is going to become smaller and smaller.

Earlier a smart phone was getting released every 1 and a half years later on it became 1 year now it is almost 6 monthly affair with some updates in the media. So, the customer may skip one and wait for the other or the customer may keep on buying every 6 months. Therefore, there is a mind shift change in how customers view the product changes. Then there are situational factors critical social developments,

for example communities under stress either because of the natural calamities or because of certain crop losses there could be situational factors which impact behaviour. Then governmental directions on what society and individual should do under certain circumstances these are the regulatory directions.

Consume more of sugar, consume less of sugar, consume something expand more all of these things are regulatory directions behaviour of consumers. Therefore, is susceptible to different factors in a differential manner depending on the product nature.

(Refer Slide Time: 30:56)

Digital Segmentation

In today's world where everyone has become digital savvy one way or the other, digital segmentation is possible



| | | |
|--------------|----------------|-------------|
| Radio | Television | Mobile |
| Movies | Virtual Events | Live Events |
| Social Media | Podcasts | Apps |

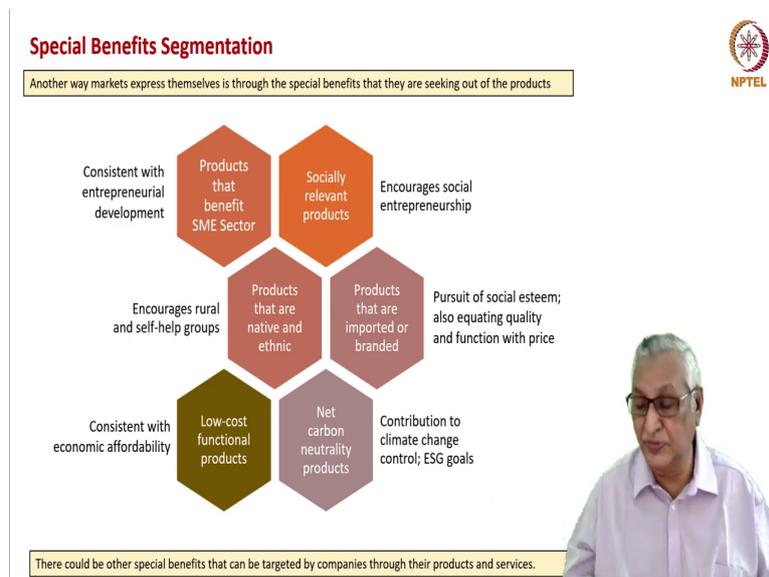
All the market segments may find their descriptors in varying degrees through the above several digital means



We also have to consider the fact of digital segmentation; in today's world everyone has gone digital savvy one way or the other. And therefore, digital segmentation is very much possible we have radio television, mobile, movies, virtual events, live events, social media, podcasts and apps providing us a wealth of information and is not uncommon for people to have as many as forty apps in their mobile phones.

And this leads to tremendous amount of digitally induced advertising which is at times very blatant and at times is very stealth, at times it can be escaped from and at times there is no way you can escape from this digital onslaught of advertising. All the market segments may find their descriptors in varying degrees through the above several digital means.

(Refer Slide Time: 31:48)



There are also some Special Benefits Segmentation. What are the Special Benefit Segmentation? Because every product may have a special benefit for a special segment there could be products that benefit SME sector consistent with entrepreneurial development, that is a kind of metrology equipment which is suited for this SME sector or a mini ECG product which can be useful for clinics or a mobile lab which can be moved to the rural areas.

These are also consistent with entrepreneurial development, these are entrepreneurial thoughts that are required to be translated. So, that the Indian SME sector or the developing countries SME sector can be particularly benefited compared to the large mass market products that are served regularly. Then there are socially relevant products this encourages social entrepreneurship.

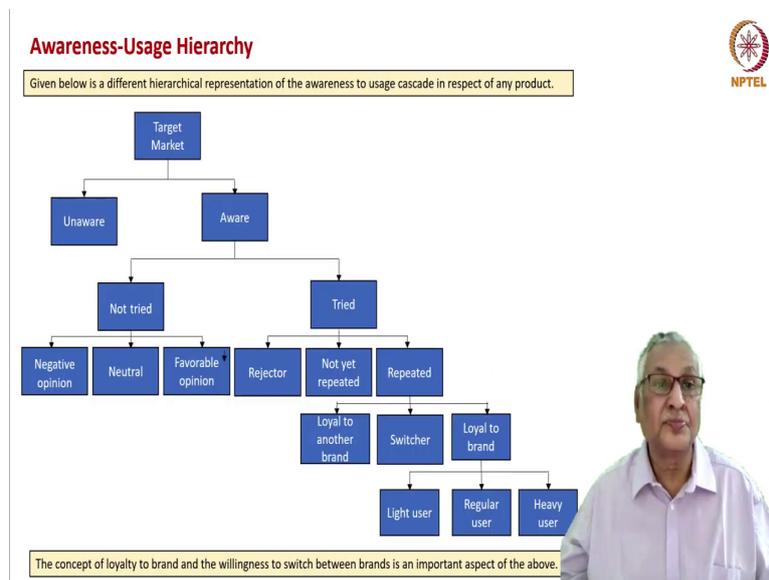
That is recyclable products could be one area where social relevance would be, similarly low-cost filtration of water or addition of last minerals to water these are all examples of social entrepreneurship. Then there could be products that are native and ethnic that helps rural and self groups. It could be traditional sweet meets could be carpets could be various other products which are made from recyclable inputs.

Then we have products that are imported or branded, these are products of pursuit for self esteem these also equate quality and function with price. In most of these cases the price is far higher than the real quality that is embedded in those products. However, people have the surplus consumer surplus and they use the consumer surplus for buying those products with some call vanity products.

Then we have Low-cost functional products, these are consistent with economic affordability and these are the ones which are the most important for the bottom of pyramid category as well as for the lower middle-class segment of the country.

Then a new segment is emerging net carbon neutrality products we need to encourage we need to support products from companies from factories from manufacturing infrastructure which contribute to climate change control, which contribute to the environment social and governance goals. There could be other special benefits that can be targeted by companies through their products and services.

(Refer Slide Time: 34:23)



There is an important Awareness Usage Hierarchy which we must be familiar with every product is launched in a target market. But target market does not mean that all the customers are going to be aware of the product. So, target market is always divided into 2 aspects one unaware and the second aware.

It is not that all customers it is not that all customers who are aware of the product would have tried the product; therefore, we have further classification not tried. Under the not tried category we have people who have already formed a negative opinion based on the trial the neutral undecided about the product or they have favourable opinion. In the tried category there could be people who have tried the product and have rejected.

Those who have not yet repeated and those who have repeat. Those who have repeated may still feel and convey that they are loyal to another brand they could be open to switching and

they could be loyal to the new brand. When you switch your loyalty to the new brand you could be the light user you could be the regular user and you could be the heavy user.

In this hierarchy the objective of any company tends to be to move from the target market to the heavy user with a strong campaign to make the heavy user segment come as close to as close as possible to the target market and that is the goal of the marketer of substance in any company. But the concept of loyalty to brand and the willingness to switch between brands is an important aspect of the above.

Therefore, every incumbent company tries to maximize these 2 factors, they are going to make the customer think twice thrice before becoming disloyalty of brand and even more heart is their willingness to switch between the brands once the loyalty is built. And building this brand loyalty is not an easy thing it has to be done through product excellence, through the marketing excellence and through the sales excellence.

And that is where all of these factors which we are discussing must work in close combination and in synergy with customer as the heart of all the sales and marketing as well as business development effort.

(Refer Slide Time: 37:00)

Singular Descriptors

Many times, it would be helpful to focus on a single descriptor of the market segment than consider many factors.

| | | | |
|--------------------|--|------------------------|---|
| Millennials | <ul style="list-style-type: none">• Working professionals, or• Non-working dependents | Homemakers | <ul style="list-style-type: none">• Working professionals, or• Non-working persons |
| Working | <ul style="list-style-type: none">• Public sector, Government, or• Private Sector | Entrepreneurs | <ul style="list-style-type: none">• Start-ups, or• SMEs |
| Students | <ul style="list-style-type: none">• School and college going, or• University and higher education going | Senior Citizens | <ul style="list-style-type: none">• Pension-dependent, or• Family-dependent |

Each singular descriptor could represent the umbrella market that could require certain common types of products



There will be singular descriptors of many market segments and this singular description helps us focus on certain market segments more sharply. The first important segment is the segment of Millennials this comprises the working professionals or there could be non working dependents of such working professionals.

That is the millennial segment. Then we have Working segment which is the public sector employees government employees or private sector employees. Then we have Students who are school and college going or university and higher education going, we have Homemakers their working professionals or non working professionals.

We have Entrepreneurs who are start up founders or small and medium enterprise people, then we have Senior citizens who are dependent on their yearly and monthly pensions or they

are dependent on their families. Each singular descriptor could represent the umbrella market that could require certain common types of products.

(Refer Slide Time: 38:01)

Singular Descriptors and Multiple Segments

Superimposing multiple segments on single descriptors, a focussed understanding of the market can be developed

| | | | | | | |
|------------|-------------|---------|----------|------------|---------------|-------------|
| Linguistic | | | | | | |
| Global | | | | | | |
| Rural | | | | | | |
| Urban | | | | | | |
| Income | | | | | | |
| Gender | | | | | | |
| | Millennials | Working | Students | Homemakers | Entrepreneurs | Sr Citizens |

The matrix of Singular-Multiple provides scope for focused product development and marketing for need fulfillment



So, what are those Single Descriptors and Multiple Segments. Super imposing the multiple segments on single descriptors we can have a very focused understanding of the market and that focused market can help us develop the products well.

Now we have on the horizontal or x axis Millennials, Working class people, Students, Homemakers Entrepreneurs, Senior citizens and these could be of any gender male female they could be at different levels of income, they could be situated in the urban landscape or in the rural landscape, they could be global and they could be linguistically segmented.

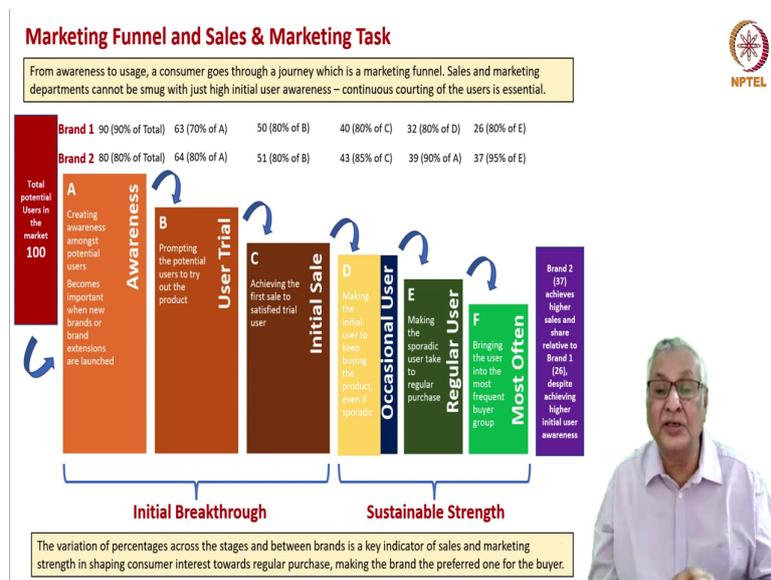
Now, this matrix of singular multiple provides scope for focused product development and marketing for need fulfilment. Millennials of male gender and Millennials of female gender have got different requirements, for example for cosmetics. The cosmetics once used to be common long ago, but today the cosmetics that are required by different genders not only that different age groups significantly vary.

Similarly, the working people and their income levels determine the kinds of different types of products they required and the students in the urban areas and the students in rural areas have different requirements. For example, urban students may favour Smartphone's far higher than the rural student's. Homemakers in the urban city are different from the homemakers in the rural city.

Entrepreneurs who are globally oriented have certain requirements of market segmentation; whereas, entrepreneurs who are oriented towards rural social development have different approaches. Senior citizens again depending upon where they are situated where they have the facilities for home care or elder care have different requirements compared to those who are cocooned in individual houses etcetera.

So, this matrix of singular multiple provides scope for focused product development and marketing for need fulfilment.

(Refer Slide Time: 40:11)



Let us try to end this by talking about the Marketing Funnel and the Sales and Marketing Task, from awareness to usage a consumer goes through a journey which is a marketing funnel. Just being aware of something does not assure that the product is bought or simply because there is a huge number of users in the market, there is no guarantee that many of those users will actually gravitate to your product.

Sales and marketing departments cannot be smug with just high initial user awareness, continuous courting of the users and developing of their mindsets is important. There are 6 stages in any movement through the marketing filter or marketing funnel cascade, the first one is creating awareness amongst potential users. Users have to be aware of the product or service that you are offering and that becomes even more important when new brands or brand extensions are launched.

Then the second is the user trial awareness by itself does not translate to user trial, the users have to be prompted to try out the product then that also may not lead to. As we have seen earlier after the user trial people could be negative could be neutral or positive and being positive also may not assure that the actual initial purchase would take place. Therefore, the second challenge is the initial sale achieving the first sale to the satisfied trial user.

So, these 3 segments of ABC as I have shown are the initial breakthrough stages. You have moved from awareness to the first initial sale, but then you need to have sustainable strength and sustainable strength happens when you make the initial buyer an occasional user at least. I am sorry that it may not be very clear I will read it out for you making the initial user to keep buying the product even if sporadic buy.

Therefore, an occasional user is the first step for you to become a sustainable user community catering company, which means that there are now people who can spread the word by use of the product occasionally at least. But then your job does not end there as a marketing person, you got to convert those occasional users into regular users. Therefore, you have to make this sporadic user take to regular purchase.

And finally, you have to achieve the ultimate of bringing the user into the most frequent buyer group that is most often purchased of his must or hers must be yours and that means, that you have achieved your dominance with that particular user and that is the sustainable strength. So, the first 3 steps are the initial breakthrough steps and the next 3 steps are the sustainable strength steps.

But how you convert at each stage has got impact on who is the final winner, at times you may think that is like a hare and tortoise race in the marketing parlance as well. We have total potential uses in my example of 100, let us say brand 1 has 90 percent awareness success percentage. Therefore, 90 out of 100 appreciate the product, but then brand 2 is poorer on that score it is able to convert into aware uses only 80 percent of the total. That is out of 100 only 80 are aware of the brand 2.

Let us go to the user trial the first has lagged behind a bit and it is able to convert only 70 percent of the aware users into users who are willing to make A trial and B that is the brand 2 makes 80 percent of the aware users into trial users. Therefore, although its initial awareness basket is smaller it has been able to catch up with the brand 1 90 63 have been the brands brand counts and brand 2 has 80 64 now.

Then from user trial you want to convert to initial sale then let us assume both are equal, again there is a tie between both these things. But then let's envisage a scenario where brand 2 is taking specific strides and it has been able to convert 85 percent of the sea level that is initial sale level consumers into occasional users, therefore it spurts over the brand 1 which has only 80 percent conversion rate.

Then brand 2 let us assume continues to maintain the lead 90 percent of the occasional users are converted by brand 2 into regular users. Therefore, its user base increases to 39 and the first brand is able to convert only 80 percentage of occasional users into regular users. Therefore, it lacks by 8 people its score is 32 and let us say in the final lap brand 2 is able to convert 95 percentage of regular users into the most often purchases.

Then it has 37 as its loyal customers, whereas at 80 percent of such conversion brand one becomes only 26. So, starting with higher awareness the brand 1 has lagged into lower actual sales. That means, that it is important for companies to have tailored marketing strategies, tailored marketing efforts from the total market universe to awareness universe to user trial universe to initial sales universe then occasional user regular user and most often universes.

And this is the most important task of sales marketing the marketing funnel has to be tapped in a more creative way as the going becomes tougher and tougher for conversion into actual uses and loyal uses. The variation of percentages across the stages and between brands is a key indicator of sales and marketing strength, in shaping consumer interest towards regular purchase, making the brand the preferred one for the buyer and this is the crux of sales and marketing.

If you are able to segment your markets, if you are able to offer segmented products in a finer manner there is greater upfront possibility of such favourable conversion. But that is not going to be the only thing you got to exert your appropriate marketing influences to be able to achieve the highest levels of percentages at each of these 6 conversion stages.

And the awareness could be by television radio mass media etcetera thereafter you got to go into certain micro marketing activities to be able to achieve higher level of user trial, higher initial sale contiguous prompting to become occasional user. And then more on ground schemes promotions to make somebody hooked on to the product on a continuing basis.

It is therefore, important to understand the marketing funnel for each product market and also shape the sales and marketing task accordingly and that is the crux of market segmentation and product response in terms of market segmentation with this we come to the end of this lecture.

Thank you very much for your attention I hope to see you in the next lecture.