

ENGINEERING ENTREPRENEURSHIP AND IPR

Module 2

- **2.1 Problem and solution canvas preparation**
- **2.2 Customer profiling**
- **2.3 Competitor analysis**

Module 2 Syllabus Cond...

- **Customer profiling**
 - Review of market research
 - Customer segmentation
 - Customer profiling
 - Persona development
 - Validation and feedback
 - Prioritisation and selection
 - Communication and messaging

Module 2 Syllabus Cond...

- **Competitor analysis**
 - Identify competitors
 - Competitor profiling
 - SWOT analysis
 - Market positioning
 - Customer feedback and reviews
 - Pricing analysis
 - Differentiation strategy
 - Benchmarking and improvement

2.2 Customer Profiling

What is Customer Profiling?

- Creating detailed representations of your target customers to guide marketing and product design.

Steps:

➤ Review Market Research:

Analyze trends, competitors, and customer behaviors.

➤ Segment Customers:

Divide them into actionable groups based on shared traits.

➤ Develop Personas:

Include age, occupation, goals, challenges, and purchasing behaviors.

➤ Validate with Feedback:

Test assumptions by engaging real customers.

Significance of Customer Profiling

- Customer profiling can help businesses to Save money, improve the sales, and foster customer royalty.
- **Save money** - By focusing marketing efforts on people who are more likely to become customers, businesses can lower their customer acquisition costs.
- **Lower customer acquisition cost (CAC)** - CAC is the amount of money spent on marketing and advertising campaigns to attract one new customer. Your specific customer profile will help you create better-targeted campaigns that will increase click-through rates. You'll spend less and gain more from each campaign.
- **Improve sales** - By understanding their customers' needs and preferences, businesses can create targeted marketing campaigns that lead to higher sales.

- **Foster customer loyalty** - By creating stronger connections with customers, businesses can generate customer retention strategies and build loyalty.
- **Improved customer service** - Customer profiling provides you with the ability to engage with customers on a more personal level. This will improve their overall experience with your product and company. Collecting customer feedback about their customer service experience will further your goal of creating the ideal profile and providing optimal customer service.
- **Guided product decisions** - Take the guesswork out of product decisions. Use customer profiling to guide product development instead of team opinions and popular trends to provide the most appealing product to your customers.

2.2.1 Review of Market Research

This is the foundation of customer profiling. It involves gathering data to understand the market landscape and customer behavior.

Sources of Data:

- Surveys: Ask direct questions to understand customer preferences.
- Interviews: Personal conversations with customers for qualitative insights.
- Secondary Research: Analyze industry reports, competitor strategies, and market trends.

Key Focus Areas:

- Identify who is buying your products or services.
- Analyze why they are purchasing.
- Look for patterns in customer behavior.

Market Research-Example 1

1. Understanding Market Trends

- Objective: Identify current and emerging trends in the market.
- Action: Analyse reports, surveys, and industry publications to understand what is driving customer behaviour.
- Example: A company in India might review market research to identify the growing trend of online shopping among millennials, which can inform their customer profiling efforts.

Market Research-Example 2

2. Identifying Customer Needs and Preferences

- Objective: Understand what customers need and prefer.
- Action: Use market research data to identify common pain points, desires, and preferences among different customer segments.
- Example: A health and wellness brand might find through market research that there is a high demand for organic and natural products among urban consumers in India.

2.2.2 Customer Segmentation

Customer segmentation is dividing your customers into smaller groups with shared characteristics to focus on their specific needs.

Types of Segmentation:

<p>1. Demographic Segmentation:</p> <p>Age, gender, income, education, occupation, marital status.</p> <p>Example: A luxury car brand may target high-income individuals aged 30-55.</p>	<p>3. Psychographic Segmentation:</p> <p>Values, lifestyle, interests, and attitudes.</p> <p>Example: Eco-conscious customers who prefer sustainable products.</p>
<p>2. Geographic Segmentation:</p> <p>Location-based preferences, such as urban vs. rural or regional demands.</p> <p>Example: Winter clothing brands target colder regions.</p>	<p>4. <u>Behavioral</u> Segmentation:</p> <p>Buying habits, brand loyalty, or frequency of purchases.</p> <p>Example: Frequent online shoppers who respond to discount offers.</p>

Outcome: Clear customer groups with distinct characteristics to design specific strategies.

Customer Segmentation: Example 1

- **Example 1:** E-commerce Platform
- **Segmentation Criteria:** Age, income, and shopping behaviour.
- **Customer Profiles:**
 - o Young Professionals: Age 25-35, high disposable income, frequent online shoppers.
 - o Budget-Conscious Shoppers: Age 18-25, students or early career, looking for discounts and deals.
 - o Luxury Buyers: Age 35-50, high income, interested in premium products.

Customer Segmentation: Example 2

- **Example 2: Health and Wellness Brand**
- **Segmentation Criteria:** Lifestyle, health concerns, and purchasing behaviour.
- **Customer Profiles:**
 - **Fitness Enthusiasts:** Regular gym-goers, interested in supplements and fitness gear.
 - **Health-Conscious Families:** Parents looking for organic and natural products for their families.
 - **Senior Citizens:** Older adults focused on health maintenance and wellness products.

2.2.3 Customer Profiling

This step builds a detailed picture of your ideal customer within each segment.

Components of a Customer Profile:

- **Personal Information:** Name, age, gender, location.
- **Professional Background:** Job role, industry, income level.
- **Behavioral Insights:** Shopping habits, product preferences, and loyalty levels.
- **Goals and Challenges:** What do they want to achieve? What issues do they face?
- **Buying Motivations:** Cost, convenience, quality, or brand reputation.

Example:

- **Name:** Emma Johnson
- **Age:** 28
- **Location:** New York City
- **Occupation:** Graphic Designer
- **Interests:** Fashion, sustainable living, technology.,
- **Goals:** Find eco-friendly yet trendy clothing.
- **Challenges:** Limited time for shopping, prefers online platforms.

2.2.4 Persona Development

A customer persona is a fictional representation of your ideal customer. It brings the profile to life and makes it easier for teams to empathize with customers.

Steps to Create a Persona:

- Combine quantitative data (e.g., age, income) with qualitative insights (e.g., goals, challenges).
- Assign a name, photo, and brief story to the persona.
- Highlight key traits that impact purchasing decisions.

Example Persona:

- **Name:** Tech-Savvy Tom
- **Age:** 30
- **Background:** Works in IT, lives in an urban area, loves gadgets.
- **Motivation:** Seeks the latest tech that improves productivity.

Challenge: Avoids products with steep learning curves.

- **Example 1: E-commerce Platform**
- **Persona 1: Urban Trendsetter Ananya**
 - o Demographics: 26 years old, marketing professional, lives in Mumbai.
 - o Goals: Stay updated with the latest fashion trends, find unique and affordable clothing.
 - o Challenges: Limited time for shopping, prefers online shopping for convenience.
 - o Behaviour: Frequently browses fashion blogs and social media for inspiration.
- **Persona 2: Budget-Conscious Shopper Raj**
 - o Demographics: 22 years old, college student, lives in Delhi.
 - o Goals: Find stylish clothes within a budget, take advantage of discounts and deals.
 - o Challenges: Limited budget looks for value-for-money products.
 - o Behaviour: Shops during sales, uses price comparison tools.

- **Example 2: Health and Wellness Brand**

- **Persona 1: Fitness Enthusiast Rohan**

- o Demographics: 28 years old, software engineer, lives in Bangalore.
- o Goals: Maintain a healthy lifestyle, stay fit and active.
- o Challenges: Balancing work and fitness, finding reliable fitness products.
- o Behaviour: Regularly visits the gym, follows fitness influencers on social media.

- **Persona 2: Health-Conscious Mom Priya**

- o Demographics: 35 years old, homemaker, lives in Chennai.
- o Goals: Provide healthy meals for her family, ensure overall family wellness.
- o Challenges: Managing time for meal prep, finding trustworthy organic products.
- o Behaviour: Shops for organic products, follows health blogs and forums.

- By developing detailed personas, businesses can better understand their customers' needs, preferences, and behaviours. This enables them to create more targeted and effective marketing strategies, ultimately leading to improved customer satisfaction and loyalty.

2.2.5 Validation and Feedback

Validation ensures the accuracy of your profiles and personas. Real-world feedback refines your assumptions.

Methods:

- Conduct focus groups to test your understanding of customer needs.
- Launch pilot campaigns targeting specific profiles and measure the response.
- Analyze feedback and update profiles as needed.

- **Example 1: Mobile Payment Solutions**

- Initial Profile: “Small Business Owner Ravi” – A 35-year-old shop owner in Delhi who needs a simple and reliable mobile payment solution.
- Validation: Conduct interviews with small business owners to gather feedback on the initial profile.
- Feedback: Discover that many shop owners also need features like inventory management and customer loyalty programs.
- Refinement: Update the profile to include these additional needs and preferences.

- **Example 2: Organic Food Products**

- Initial Profile: “Health-Conscious Consumer Priya” – A 30-year-old homemaker in Mumbai who prefers organic and natural products.
- Validation: Hold focus groups with customers who buy organic products to validate the profile.
- Feedback: Learn that customers are also concerned about the environmental impact of packaging.
- Refinement: Adjust the profile to include preferences for eco-friendly packaging.

- By validating and gathering feedback on customer profiles and personas, businesses can ensure that their understanding of their target audience is accurate and up-to-date. This leads to more effective marketing strategies, better customer engagement, and ultimately, improved business performance.

2.2.6 Prioritization and Selection

Not all customer segments or profiles may be equally valuable to your business. Focus your efforts on the most impactful ones.

How to Prioritize:

- Look for segments with the highest profitability or growth potential.
- Prioritize customers who align with your business objectives.
- **Example:** A startup might focus on early adopters who influence others to try their product.

- **Example 1: Mobile Payment Solutions**

- Evaluation: Assess segments like “Small Business Owners,” “Freelancers,” and “Retail Customers” based on transaction volume and growth potential.
- Selection: Prioritize “Small Business Owners” due to their high transaction volume and need for reliable payment solutions.
- Resource Allocation: Focus marketing efforts on reaching small business owners through targeted ads and partnerships with business associations.

- **Example 2: Organic Food Products**

- Evaluation: Evaluate segments such as “Urban Health Enthusiasts,” “Parents with Young Children,” and “Senior Citizens” based on their purchasing behaviour and health consciousness.
- Selection: Prioritize “Urban Health Enthusiasts” and “Parents with Young Children” due to their higher willingness to pay for organic products.
- Resource Allocation: Develop marketing campaigns that highlight the benefits of organic products for health-conscious urban consumers and parents.

- By prioritizing and selecting the most valuable customer segments, businesses can ensure that their marketing efforts are focused and effective, leading to better customer engagement, higher conversion rates, and increased profitability.

2.2.7 Communication and Messaging

Tailor your marketing efforts to speak directly to the needs, preferences, and language of each customer segment or persona.

Personalization Techniques:

- Use CRM tools to send personalized emails or ads.
- Create content that addresses customer pain points (e.g., blog posts, videos).
- Match communication styles to customer preferences (e.g., formal vs. casual).

Example: For a profile like "Emma Johnson," the messaging could emphasize sustainability and convenience in online shopping ads.

- **Example 1: Health and Wellness Brand**

- **Segment: Fitness Enthusiasts**

- o Message: “Achieve your fitness goals with our range of high-quality supplements and workout gear.”
- o Channel: Social media ads, fitness blogs, and influencer partnerships.
- o Personalization: Personalized workout plans and product recommendations based on fitness goals.

- **Segment: Health-Conscious Families**

- o Message: “Keep your family healthy with our organic and natural products.”
- o Channel: Email newsletters, parenting forums, and health magazines.
- o Personalization: Tailored health tips and product bundles for family wellness.

- **Example 2: Online Education Platform**

- **Segment: Working Professionals**

- o Message: “Advance your career with our flexible online courses designed for busy professionals.”
- o Channel: LinkedIn ads, professional networks, and email campaigns.
- o Personalization: Course recommendations based on career goals and industry trends.

- **Segment: College Students**

- o Message: “Boost your skills and get ahead with our affordable online courses.”
- o Channel: Instagram ads, student forums, and campus partnerships.
- o Personalization: Discounts and course bundles tailored to student needs and interests.

- By effectively communicating and messaging based on customer profiles, businesses can create more engaging and relevant interactions with their target audience. This leads to higher customer satisfaction, stronger brand loyalty, and improved marketing outcomes.

Practical Tools for Customer Profiling

- **Google Analytics:** Understand website visitor demographics and behaviors.
- **CRM Software:** Tools like Salesforce or HubSpot to track customer interactions.
- **Social Media Insights:** Platforms like Facebook Insights to analyze follower data.
- **Surveys:** Use tools like SurveyMonkey to gather direct customer feedback.
- **Heatmaps:** Tools like Hotjar to track user behavior on websites.

Conclusion

- Customer profiling is a powerful tool for understanding and engaging with your target audience. By systematically gathering and analyzing customer data, segmenting them into meaningful groups, and developing actionable profiles and personas, businesses can create more targeted and impactful marketing strategies that drive success.

2.3 Competitor Analysis

- **What is Competitor Analysis?**

Competitor analysis involves evaluating your business competitors to understand their strengths, weaknesses, strategies, and positioning in the market. This process helps businesses identify opportunities, threats, and areas for improvement to maintain a competitive edge.

Key Components of Competitor Analysis

1. Identify Competitors
2. Competitor Profiling
3. SWOT Analysis
4. Market Positioning
5. Customer Feedback and Reviews
6. Pricing Analysis
7. Differentiation Strategy
8. Benchmarking and Improvement

Benefits of Competitor Analysis

- **Improves Decision-Making:** Gain insights to make informed strategic decisions about pricing, product features, and market entry.
- **Identifies Market Gaps:** Spot unmet customer needs or underserved segments.
- **Enhances Competitive Advantage:** Build strategies that capitalize on competitors' weaknesses or differentiate your brand.
- **Informs Marketing Strategy:** Learn which channels and tactics are most effective in your industry.
- **Supports Risk Management:** Anticipate potential threats, such as new entrants or shifts in market demand.

2.3.1 Identify Competitors

The first step is to recognize the types of competitors in your industry.

Types of Competitors:

➤ **Direct Competitors:** Offer similar products/services targeting the same customer base.

Example: Pepsi vs. Coca-Cola.

➤ **Indirect Competitors:** Provide different solutions to the same customer need.

Example: Netflix vs. YouTube for entertainment.

➤ **Potential Competitors:** New entrants or businesses planning to enter your market.

Methods to Identify Competitors:

➤ Analyze market reports and industry publications.

➤ Study customer preferences and search behaviors.

➤ Use tools like Google Search, SimilarWeb, or SEMrush.

2.3.2 Competitor Profiling

This involves gathering in-depth information about each competitor.

Aspects to Profile:

- **Business Model:** How they generate revenue.
- **Product/Service Offerings:** Range, quality, and features.
- **Target Audience:** Demographics and preferences of their customers.
- **Pricing Strategy:** Price points and discounts.
- **Marketing Approach:** Channels used, messaging, and branding style.
- **Operational Strengths:** Technology, supply chain, and innovation.

Tools for Competitor Profiling:

- **Website Analysis:** Study their website's structure, content, and user experience.
- **Social Media Monitoring:** Evaluate engagement levels, campaigns, and customer feedback.
- **Customer Reviews:** Check review platforms like Google Reviews, Yelp, and Amazon.

2.3.3 SWOT Analysis

SWOT analysis helps evaluate the internal and external factors affecting competitors.

- **Strengths:** What are they doing well? (e.g., strong branding, innovative products.)
- **Weaknesses:** Where do they fall short? (e.g., poor customer service, limited product variety.)
- **Opportunities:** Where can they grow or improve? (e.g., expanding to new markets.)
- **Threats:** What risks do they face? (e.g., new competitors, economic downturns.)

Example: For a competitor in the smartphone market:

- Strengths: Cutting-edge camera technology.
- Weaknesses: High prices compared to alternatives.
- Opportunities: Emerging markets in developing countries.
- Threats: Growing competition from budget-friendly brands.

2.3.4 Market Positioning

Market positioning examines where a competitor stands in the minds of customers.

Factors to Analyze:

- **Unique Selling Proposition (USP):** What sets them apart?

Example: Apple's USP is design and innovation.

- **Brand Perception:** How customers view their brand (luxury, budget-friendly, etc.).
- **Customer Loyalty:** The strength of their customer base.
- **Distribution Channels:** Where and how their products are sold.

Outcome: Identify gaps or opportunities for your business to differentiate itself.

2.3.5 Customer Feedback and Reviews

Understanding how customers perceive competitors provide actionable insights.

Sources of Feedback:

- Online reviews on platforms like Amazon, Yelp, or Google.
- Social media comments and complaints.
- Testimonials and case studies published by competitors.

Insights to Extract:

- Common pain points customers face with competitors.
- Features or services that customers value most.
- Unmet needs that your business can fulfill.

2.3.6 Pricing Analysis

Purpose: Determining the optimal price point for your product or service.

Pricing Methods:

- **Cost-Plus Pricing:**

Adding a markup to production costs.

- **Value-Based Pricing:**

Setting prices based on the perceived value to the customer.

- **Competitive Pricing:**

Aligning prices with industry standards.

Factors to Consider:

Production costs, market demand, competitor pricing, and customer willingness to pay.

2.3.7 Differentiation Strategy

What is Differentiation?

Establishing unique attributes of your product to stand out in the market.

Methods:

- Superior product quality.
- Exceptional customer service.
- Innovation in design or functionality.
- Eco-friendly practices.

Outcome:

- Increased customer loyalty.
- Premium pricing power.

2.3.8 Benchmarking and Improvement

Definition: Comparing your business performance with industry standards or best practices.

Steps:

- Identify performance metrics (e.g., sales, customer retention).
- Research industry benchmarks.
- Implement strategies for improvement.

Importance:

- Encourages continuous innovation.
- Enhances competitiveness.

Practical Example: Competitor Analysis in Action

Let's assume you run a coffee shop in a metropolitan area. Here's how you might approach a competitor analysis:

1. Identify Competitors

- **Direct:** Nearby coffee shops like "Brew & Bean" and "Cafe Bliss."
- **Indirect:** Fast-food chains (e.g., McDonald's) and grocery stores selling coffee.

2. Competitor Profiling

- **Brew & Bean:** Artisanal coffee, lively ambiance, slow service during peak hours.
- **Cafe Bliss:** Premium organic coffee, health-focused, expensive.
- **McDonald's:** Affordable, quick coffee options.

3. SWOT Analysis

- **Brew & Bean:** Strong community presence but limited parking.
- **Cafe Bliss:** High quality but pricey.
- **Opportunity for You:** Balance quality, affordability, and convenience.

4. Market Positioning

- **Competitors:** Brew & Bean = social hub; Cafe Bliss = premium health cafe.
- **Your Position:** Family-friendly cafe with affordable prices.

5. Customer Feedback

- Competitors have strengths (e.g., quality, atmosphere) but face complaints (e.g., price, slow service).
- Focus on faster service and family-friendly options.

6. Pricing Analysis

- Competitor prices: \$1–\$10.
- Your pricing: \$3–\$5 for quality and affordability.

7. Differentiation Strategy

- Offer unique blends, seasonal drinks, and a kids' play area.
- Launch a loyalty program (e.g., buy 5, get 1 free).

8. Benchmarking and Improvement

- Track foot traffic and customer satisfaction.
- Adapt by hosting unique events (e.g., trivia night) to stand out.

Tools for Competitor Analysis

1. **SEMrush or Ahrefs:** Analyze online traffic, keywords, and backlinks.
2. **Google Alerts:** Get notified about competitor updates and news.
3. **SimilarWeb:** Compare website traffic and engagement.
4. **Social Media Platforms:** Monitor engagement levels and ad campaigns.
5. **SpyFu:** Track competitor PPC (pay per click) campaigns and SEO (search engine optimization) strategies.