ISB- Product Management

Week 3: Market Structure Analysis and Opportunity Identification

Video 1: Module Overview

Hi, welcome to the module on Market Structure Analysis and Opportunity Identification. In this module, we'll cover key issues related to the first stage of new product development, that is the fuzzy front end. These comprise the strategic marketing issues of defining the market, segmenting it, and then targeting one or more segments. For each targeted segment, a company needs to understand its customers by profiling them and understanding their behaviour. Towards this end, we'll also cover customer or user personas and their journey.

The first stage of the new product development process involves identifying consumer needs that a company wants to address. In this module, you'll first learn how to understand and define markets. You'll also learn why a clear definition is important. We'll then discuss the segmentation of the defined market. Here you'll learn to analyse whether segmentation is needed, and ways you can segment your market. Next, you will learn about the targeting decision, which is how to decide which segments to target and why. Once a segment is targeted, you'll learn the profiling of consumers in the segment. In other words, you will learn about customer or user personas, why they are important and how to prepare them. Finally, you'll learn about the customer or user journey, which is part of understanding consumer behaviour and is important for innovation.

Video 2: Product Market

Hi, in this video, we'll learn about markets, how to define a market and why it is important to do so. We'll use the term market for a product market for simplicity. So, what is a product market? Traditionally in marketing, markets have been defined based on a product, for example, the auto market. Within this, we may have a mid- size Sedan market, luxury car market and so on. These definitions are based on product characteristics. In 1997, Professor Philip Kotler presented a new definition that is now well accepted in the domain of new products and marketing. He defined the market as follows, a market consists of all the potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want.

Note the features of this definition, first, this definition puts customer need at the centre. Therefore, for any customer centric product development, we must use this definition. This definition is also at the heart of the popular Blue Ocean Strategy and helpful in finding new markets spaces for targeting with a new product. Second, in this definition, there is no seller required for a market to exist. For example, some people may have a need for tourism to Mars, however, there is no seller offering such services to satisfy this need at this time. Third, under this definition, we can have the same product in different markets. For example, the same laptop can be sold to the consumer market as well as the business market. And fourth, under this definition, we can have different products in the same market.

Consider the example of a market based on the need for short distance transportation. The different competing products or solutions can be a car, motorcycle, taxi, metro, bicycle and simply walking. As you can see, this definition is highly consequential. To better understand this definition and its consequences, let us consider a hypothetical market shown in the figures. Both the top and bottom charts represent the same market. The top chart shows figures in currency units, and the bottom chart shows the same figures. in percentage terms. Product 1, product 2, others are different offerings competing with each other in this market. If you are the owner of product 1, how would you evaluate your performance in the past? Would you be happy with the same and continue with your current strategy, or would you change your strategy? Please take two minutes to think about this question. You'll be happy because if you look at the total market size, it is roughly stable or slightly declining, yet you are gaining market share. This is a very good situation to be in. In a tough market, you are gaining market share. Naturally, you would continue with the same strategy.

Now, consider a different market shown in the slide. Once again, if you're the owner of product 1, how would you feel about your current strategy? Would you change your strategy or continue with the same? Please take 2- 3 minutes to think. Note that your market share is declining in a growing market. Naturally, it is a matter of concern, and it will change your strategy because you are not doing well relative to the market. Now, think about these two situations that we have discussed. Both the market definitions presented on the slides represent the exact same data, except for one change.

In the second market definition, I have added an additional product denoted by product 3. Just with this single change, the entire outcome changes. In one case, you continue with the same strategy and celebrate, and in the other case, you are unhappy with the strategy and change it. Clearly, you can see that the market definition is very important. Now, a natural question arises, who tells you whether you are in the first market definition world or the second market definition world?

Please take 2-3 minutes to think. The answer is that no one tells you, you along with your team, decide which market you are in. Then the real world reveals itself. And based on your decision alone, you either feel bad about your performance and change your strategy or feel good about the performance and continue with the same strategy. This is how important it is to define your market clearly.

Let me give you some real examples to understand this better. You may have heard about game consoles such as Sony PlayStation and Microsoft Xbox. Let me take you to the time when the first high-definition version of these game consoles appeared in the market. Both Sony and Microsoft introduced them. At that time, Nintendo introduced Wii, their game console that did not offer high-definition features, however, it included a hand-held device like a thick scale to interact with the games. And these three companies were the most prominent players in the market. Wii started outselling both Microsoft and Sony by a huge margin.

Naturally, Nintendo was thrilled. Many analysts also enjoyed the scenario and wrote about how a small company, Nintendo, was beating the tech giants of the world. When asked about it, both Microsoft and Sony tried to make it clear that they were not competing with Nintendo. Some people called it a case of sour grapes. Now, think about the situation carefully for two minutes. Was it a case of sour grapes? The difference in views of Nintendo on the one hand, and both Microsoft and Sony on the other side is rooted in how they define the market. Nintendo define its market based on the need for game-based entertainment.

As a result, it conducted marketing research to understand the issues customers faced while satisfying this need. Among other things, it must have found that customers disliked the way consoles required players to interact with the games using a small hand-held controller. Further, customers wanted high definition, however, they also wanted low price and customers like good, entertaining games.

As a result, Nintendo introduced a different way to interact with the games. It introduced a hand-held stick to enjoy a more immersive experience. It also introduced many new family friendly and entertaining games. Finally, it did not introduce high- definition capabilities in its console and kept the price low. The Wii console by Nintendo was immensely successful. Customers loved it, and many new customers purchased Wii even those who would otherwise not have purchased any gaming console.

Now, consider how Microsoft and Sony define their market. Microsoft and Sony were looking at the larger picture and believe that at some point in the future, consumers of entertainment products will have a device in their home that will control all their entertainment needs. These needs included game-based entertainment, access to music and movies, access to the Internet and communication. However, neither the technology nor the consumers were ready.

Consumers did not see a need for such a home entertainment hub at that time. Therefore, both these companies focus on the segment of consumers who needed to play games for entertainment since it was most ready and willing to adopt new consoles. What type of need was Nintendo targeting? What type of need were Microsoft and Sony targeting? How did each define its market? Let us take a pause and think carefully for three minutes.

Nintendo was targeting an existing need of consumers, while Microsoft and Sony were targeting a latent need. Nintendo defined its market as comprising of those who needed game-based entertainment. It researched these consumers and created the way. Microsoft and Sony, on the other hand, defined their market on the basis of the need for entertainment, and they decided to target a segment of consumers within their wider market. They hope that once a customer buys their console, the customer will slowly start using other features included with the console without much resistance. This strategy of Microsoft and Sony is called staged adoption, in which a company first sells its new product to a group of consumers who can adopt the product easily, that is, the resistance to adopting the product is the lowest, overtime, the company introduces new aspects of the product to slowly encourage those who have bought the product to adopt it fully.

Let us visit the product development strategy of Sony. When Sony introduced the first high-definition PlayStation, the device was ranked best in the market as a Blu-ray player. It also had other capabilities related to playing games and networking. The competing Blu-ray players in the market were playing vanilla players. Yet the PlayStation was priced significantly higher than its competitors. The PlayStation had gaming, networking and high-definition disk playing capabilities. It could stream music and other online content.

The development of PlayStation over time revealed its whole purpose of becoming a home entertainment hub. Similar was the development of the Xbox, Sony was losing money on the sale of each player because it wanted the customers to buy its console before they bought the Xbox from Microsoft and vice versa. Both these companies were locked in intense competition, and the data supported this, while many Wii customers also bought one of these two high-definition consoles. If a customer bought PlayStation, the customer was highly unlikely to buy an Xbox and vice versa.

Therefore, Nintendo was correct in treating both Microsoft and Sony as its competitors based on the way it defined its market, and Microsoft and Sony were also correct in saying that they were not competing with Nintendo, they realised that Nintendo simply did not have the resources or capabilities to compete with them in the wider market. If you're Microsoft and Sony, who is your competitor besides each other? Pause and think for three minutes.

Besides each other as immediate competitors, both Microsoft and Sony have other companies as potential competitors, but not immediately. Hewlett Packard introduced its media centre PCs to address the need for entertainment and productivity. All other PC companies also offered such products overtime. Google, Apple, Samsung and others were also eyeing this space of need for entertainment. Obviously, considering the competition that is still far away, and analysing a wider set of competitors, makes it difficult to form a good new product strategy. On the other hand, ignoring them is very risky. Therefore, a company must pay very close attention to its immediate competitors and also keep an eye on other relevant competitors that are further away, like concentric circles or rings of different competitors.
Over time, these other competitors on the horizon may also become an immediate threat. By keeping an eye on them, the company can be prepared, as an example, my son has owned an Xbox since the time the first high-definition version was launched. Last year, he came to me and told me that he did not want to buy the next generation of the Xbox, he said, he could play the games on his PC and do other things as well. In my house, the PC replaced the Xbox, it is important to understand that technologies change, and the changes may surprise some companies and force them to change their strategy. However, planning carefully for the future based on the best available information is still better than not doing it.

Let me now share another example concerning market definition. Years ago, I received a call from a director in a company based in New York. He wanted my help. I didn't have time to take a full consulting project; however, since he had reached out to me, I decided to help him as much as I could. In a few minutes over a phone call, I asked him what he did and what was the issue. He told me that they were in the business of making and selling small VoIP devices or toggles used to make cheap international calls.

Some of you might recall using such devices years ago to make VoIP calls. Further, he told me that they were losing sales every year. I asked him who were his competitors, and he named a few similar companies. Then I said, let me guess, all your competitors are also losing sales, right? And he agreed. In a nice manner, I told him not to worry, as all of you would be out of business very soon. Now, why did I say that? What was his problem? Please pause for three minutes and think. Many of you go to the office, how many of you use a horse-drawn carriage to go to the office? None, I bet, the need for transportation remains, however, how you satisfy that need better changes with technology.

As technology develops, companies offer better solutions. That is, they create superior value for the consumers to satisfy the need using the best available technology. In this example, the issue was with the way the director was thinking. He was defining his market based on product. He said he was in the business of selling toggles for VoIP calls, as a result, he also looked at similar vendors as his competitors. How many of you use such a toggle to make calls now? Likely no one.

Magic Jack was a market leader in this category in the US long ago, it sold toggle to make VoIP calls as smartphones became common, Magic Jack created an app to solve the same need because an app made making such calls using a smartphone easier and cheaper. In other words, an app created superior value compared to a toggle. It is never about products; it is always about a superior solution or superior value proposition using the best available technology.

Video 3: Market Segmentation

In this video, we will discuss Market Segmentation and its relationship with product markets. Before we do so, let us consider some examples of market segmentation. The slide shows the market for pain relievers. It is divided into segments such as back pain, headache, foot pain, and so on. These segments may be divided further into different customer segments. For example, the headache segment may be further divided based on types of headaches such as migraine, general headaches, tension related headaches, and so on. Marriott and Best Buy similarly, have different types of segmentation.

Marriott offers different brands of hotels for different segments of customers. These brands are Courtyard, Fairfield Inn and Suites, Ritz Carton, and so on. Best Buy has segmented its customer base into five segments as shown. Best Buy also has a hypothetical persona, representing the profile of a typical customer needs segment. For example, Barry is a user persona that represents a typical affluent tech enthusiast, and Jill is a user persona representing a busy suburban mom. The important question is that why are these companies segmenting the market?

Video 4: Why Segmentation?

In this video, we will discuss why companies segment their market. Once you have defined the market, you will decide whether to segment it into smaller groups of customers or not. Recall that consumer needs may have several layers or dimensions. For example, all of you have the need for business education. While some may want to do an MBA full time, others may want to continue with their jobs and would like to do an MBA during evenings and weekends, which is part time MBA. Still, others may prefer purely online education. These different groups of students require a different solution, although each has the core need of Business Education.

Similarly, any market consists of consumers who may be different from each other in the characteristics such as needs, attitudes, paying capacity, and several other factors. These differences may be important enough to require a different solution for groups of customers with similar characteristics, and we call these groups of consumers segments of consumers. Consider the example of a company that wants to enter the market for tea. For some internal operational reasons, it can produce only one type of tea and it is not aware of consumer preferences regarding tea. Now, suppose that consumers can be divided into two groups, where one group strongly prefers steaming hot tea and other the group strongly prefers chilled tea.

To decide what to produce, the company conducts marketing research, unaware of the underlying segmentation in the market. From the research data on consumer preferences, the company takes the average preference in the market and produces warm tea. Who will buy it? Nobody. On the other hand, another company considering the same market, segments it into two segments of consumers, one that prefers hot tea and the other that prefers cold tea and offers hot and cold tea to these segments respectively. It will satisfy all the consumers and win in this market. This example illustrates the importance of segmentation. These segments may be further subdivided into smaller groups of customers based on the need for sweetened and unsweetened tea.

So, why segment? Consumers differ from each other in so many ways. And no solution can be perfect for everyone. Ideally, a company does not want to segment its customer base, because segmentation is costly. For each segment, the company has to create a distinct solution, and that requires creating and managing the sales in the segment, along with other associated operational complexities. Therefore, a company would prefer to produce one solution or product for the entire market, and we call this mass marketing. However, in the case of mass marketing, while some customers would be perfectly happy with the solution, many others would not like it. And a competitor may create a new product that meets the needs of these dissatisfied customers better, thus taking business away from the company.

A solution is to offer a tailored product to each customer. However, this may be too costly or may not even be possible. Between these two extremes of mass marketing and 1 to 1 marketing, we have segmentation, where a company divides its customers into groups such that customers are similar within a group on key attributes and differ across groups. Thus, segmentation is a sweet compromise, such that the company is able to cover the heterogeneity in the market or differences among consumers in the market in an efficient manner, by offering one solution to each segment.

In some contexts, another solution to address the heterogeneity in the market is possible due to the developments in digital technology. This is mass customisation. In this, a company is able to customise its solution for each customer at a cost closer to mass marketing. Take the example of Apple iPhone. Apple has different iPhones for different segments of customers. Within each segment, the Apple ecosystem of managing apps and digital content, such as music and books ensures that every person uses a customised solution for their need, and they themselves select the customisation. Through the development of an ecosystem using digital technologies, Apple has done mass customisation cheaply. Wherever possible, such a strategy locks customers with the firm, creating a sustainable competitive advantage. Further, competitors find it difficult to take away customers from the firm. to take away customers from the firm.

Video 5: Market Segmentation Matrix

In this video, we'll discuss how a company can decide how many segments to have. A company can keep on dividing segments further into subsegments to address customer heterogeneity better. However, such a strategy would be costly since each segment would require its own solution.

A natural question is, when should a company stop segmenting further? The figure shows a fundamental approach to develop market segments. The first column contains customer needs in the market, and the other columns contain different segments and their priorities with respect to the different needs in column one. To understand this better, consider a hypothetical example of segmentation of female skincare market by age.

Let us assume that you are a manager in your company handling female skincare products. Your market research results in the information shown in the chart. The research shows that the needs of the female skincare market are beauty, confidence, economy, health, sexual allure, status, and youthfulness. Further, each age-based segment of females ranks these needs or benefits they desire, such that rank 1 is the most desired, and rank 7 is the least desired. For example, females in the age group 14 to 18 years of age desire status as their most important need, confidence as the second most important need, and sexual allure as the third most important need.

The other columns representing other age-based segments are interpreted similarly. Please look at the chart carefully. Take three minutes and think about how many segments would you finally want to have and why. Some of you may have thought of six segments, some of you may have thought three segments, and so on. Your answers would vary. However, the thought behind your answer is most important. Your reason for combining segments to arrive at the fewer total number of segments would likely be based on how customers in the segment rank various dimensions of the need.

For example, since the top three needs of 14 to 18 years old customer segment and 19 to 29 years old customer segment are the same, that is status, sexual allure, and confidence, it seems reasonable to combine them. And you are starting on the right path based on this logic.

However, whether you should combine them into one segment or not depends upon some other crucial information. You can combine these two segments into one segment, only if what they mean by their top needs is the same or very similar. For example, status may mean very different things for a female in the age group of 14 to 18 years as compared to a female in the age group of 19 to 29 years. It is possible that the younger segment of females considers eating at McDonald's as a status symbol, while the older segment considers it beneath their status. Unless both the segments have similar beliefs about these dimensions of needs, we cannot combine them.

Remember, we combine segments for efficiency, and we implement one strategy or solution for the entire combined segment. If there are groups within a segment that vary in their needs, one solution is unlikely to satisfy them adequately. Therefore, a good practice is to segment the market into just enough number of segments that solve your purpose. In other words, the final number of segments in a judgement should address customer heterogeneity in the market adequately.

To implement this thought, you can keep adding segments until you find that your solution or the set of elements of the marketing mix or four Ps required to solve the need of the next segment is similar to that in another existing segment. In such a case, you can combine segments, and there is no need to segment further. Once again, remember that you segment because the value proposition required, that is your marketing strategy for each segment, or the solution required by each segment is different. If two or more segments require a similar solution or strategy, then it may be better to combine them for cost reasons.

Video 6: Developing Market Segments

In this video, I'll discuss how to develop market segments. Please see the figure. There are two key approaches to developing market segments. One puts customer need first, and the other puts customer descriptor variable first. Each approach has problems. Actionable segmentation requires good identification of both customers and the value they require. Therefore, while we always define markets based on needs, we can define segments based on need and other factors.

Many factors are typically used to describe a segment. This slide shows examples of variables commonly used to describe customers. For example, for a variable Geography, the descriptor variable may be country, region, city, and so on. This slide shows examples of three descriptor variables and further groups of segments within each. To test your knowledge in this section, attempt to develop a segmentation scheme for an online business education provider and describe the segments.

Video 7: How not to Approach Market Segmentation?

In this video, I will discuss how not to approach market segmentation. Many companies segment the market in a specific manner and defend their segmentation scheme based on reasons, such as that's the way we've always done it, or that's the way data are available, or that's the way we are organised, or that's the way competitors do it. All these methods are inferior and can have major issues.

One must always start with customer needs and behaviour, and then segment the market appropriately, as discussed earlier. A good segmentation scheme meets six criteria. It should be stable, differentiated, identifiable, accessible, appropriately sized, and measurable. Choose an existing segmentation scheme by a company and analyse whether it meets the six criteria for good segmentation and how.

Video 8: Which Segments to Target?

In the marketing management process, in the first part of strategic marketing, a company first defines its market and then segments it. Once the segmentation is done, the targeting decision comes into play. Should the company target all the customer segments? Or should it target only some specific ones? How can the company make this decision? The targeting decision is a very important decision, often made in haste. A well-thought-of targeting decision can save significant trouble and expense later. It can improve significantly the likelihood of the success of a new product.

Therefore, I will now describe a three-step process to make the targeting decision. In the first step, you list factors that make a segment attractive to you. Note that these factors remain the same for all the segments you are considering. The criteria that make a segment attractive vary across companies. For example, if you are a new and small company, a segment with a business potential of $10 million might be attractive.

On the other hand, a large well-established company like Johnson & Johnson might not target such a small segment. They may not target any segment with the potential of less than a few $100 million. Some criteria that make a segment attractive to a company are; segment size, growth rate of the segment, segment potential, ability to use available resources, barriers to entry, barriers to exit, likely competitor actions, potential profit margins, regulatory constraints, and social factors.

There may be other factors that a company may use as criteria for evaluating segment attractiveness. In the second step, the company considers the business strength needed by a company to win in each segment. Note that the business strength needed by any company to win in a given segment would likely be different from the business strengths needed for any company to win in another segment. For each segment, you will list all the important segment-specific business strengths required by any company to succeed in that segment.

Some of these strengths are; brand value, distribution facilities, financial leverage, government relations, marketing skills, modernity of plant and equipment, production capacity, raw materials, position, salesforce, technological expertise. This is just an example of business strengths, and you'll have to decide the strengths needed on a case-by-case basis. Now that you have listed the factors that make a segment attractive to you and the business strengths required for any company to succeed in each of the segments under consideration, you will take the third step. In this, you will sort the segments under consideration from most attractive to least attractive. Then evaluate your own business strengths and capabilities.

You will then match your strengths and capabilities with those required to succeed in each segment, beginning with the most attractive segment. You will then choose to target the most attractive segments with a good match between the strengths and capabilities and those required to win in the attractive segments. Note that the closer this match, the more the likelihood of your success if you target that segment. Too often companies decide the target segments based on the segment attractiveness criteria alone and ignore the other two steps, leading to significant struggles for success and likely losses later.
After a company has decided which segments it will target, the targeting decision is complete. Let us consider an example from your personal life. Let us imagine that you are looking for a new job. In the first step, you will decide the criteria that make a job attractive to you. In this, you will list factors such as salary, work culture, company reputation, growth prospects, industry, employee development programs, and so on. Since these are your criteria for attractiveness, any job opening for you must meet these criteria to make itself appeal to you.

Once you have listed attractive job openings available to you, you will move to the second step. In the second step, for each available job opening, you will list the strengths and capabilities required of any job candidate to win in the process, that is, secure the job for herself or himself. This set of criteria would be different for each available job opening but would remain the same for any specific job opening for all the candidates. Some criteria might be years of experience in the same industry as the job opening, past performance on the job, educational qualifications, and so on. In the third step, you'll look at your strengths and capabilities as reflected in your resume and match them with the requirements of each job opening.

If you target the most attractive job opening with the best match to your qualifications and experiences, you will have the highest chance of success, that is, securing the job. Although the example concerns your own job search, the process is no different for a company deciding which segments to target.

Once the targeting decision is completed, the company needs to focus on each targeted segment individually. Henceforth, the marketing process is separate in each segment after accounting for some possible synergies. Since customers are typically similar within each targeted segment, companies develop a profile for each group of targeted customers and attempt to understand their behaviour. These profiles are also called user personas, and we'll discuss them in detail in the next video.

Video 9: Customer Persona

In this video, I'll talk about customer or user persona in detail. So, what are customer personas? A user, or consumer, or customer persona, is a fictional character a marketer creates to represent a group of targeted customers. In essence, a persona is a demographic behavioural and psychographic profile of a group of customers and represents a typical customer in the group. Therefore, the marketer creates at least one user persona for each targeted segment of customers. If a customer segment has multiple groups of similar users, then the marketer may create multiple personas for the segment. One persona for each group of similar users.

Developing user personas for targeted group of customers is common in the digital world. However, the concept is not new and is equally applicable in the wider marketing world. In the process of marketing management, the first steps of strategic marketing involve understanding customer needs, defining the market based on customer needs, segmenting the market, targeting one or more segments, and then planning a position for the product or service, if it is going to be a new offering. In this process, customers in each segment are similar within the segment on key factors, and they differ from customers in other segments.

For keeping the entire marketing team focused on customer needs, it is common to develop a profile of customers in each targeted segment. In case a segment has multiple groups of similar customers or sub segments, then a customer profile is developed for each sub segment. These profiles are the same as the user personas we're talking about. In the digital marketing world, rich behavioural data of customers may be available to the marketer, and thus more detailed and accurate customer profiles can be developed, and we call them user personas. Now that we understand what user personas are, let us discuss their characteristics.

Good user personas have characteristics that you must understand before you can develop one. A good user persona must be relatable to the customers it represents. The more a targeted customer can relate to the persona, the better are the chances of understanding the customers' needs and behaviours. A good user persona must be concise. A brief description of the persona results in an easier to understand and relevant user persona, since it focuses on the essence of the persona. A good user persona must be well researched. Extensive marketing research is needed to assess the needs and behaviours of customers, before good user personas can be developed. A good user persona is well-structured, a story flow and an engaging an attractive flow chart matter, when you're delivering content via user personas. They help deliver the content in a better manner. There are several advantages of building user personas.

A persona encourages the marketer to think in terms of users and not focus primarily on products. Therefore, it encourages customer centric marketing. Customer centricity not only helps in generating better ideas for a new product or service for the customer, but also helps in designing them better. Since the focus of the marketer is on addressing the need of the customer, developing a product or service, or designing a value proposition that has the customer at its front and centre is likely to be more effective.

The process of building detailed personas generates empathy for customers, resulting in a deeper understanding of customer needs and behaviour, something essential for effective new product development. Therefore, the marketer obtains a better understanding of whom to target, how to target, where to target, and when to target. As a result, user personas help ensure that the marketing content is more relevant and targeted towards the right customers. As a result, your marketing becomes more effective. This understanding helps the marketer in utilising time and resources judiciously, by focusing only on those solutions that are needed by the customers.

The process of developing personas also helps define product positioning for each targeted group of customers. Finally, user personas create consistency across business functions and aligns their focus towards the personas, that is the targeted customers. This brings all employees on the same page and reduces confusion. In the next video, we'll discuss how a marketer can build user personas.

Video 10: How to build Customer Personas?

In this video, I'll discuss how to build a user persona. The objective is to build a persona that clearly visualises the target customer or decision maker or end-user to all involved in the marketing process. The persona should not just be a factual description of the buyer based on demographic variables, but also includes social and emotional factors. It should include psychographic descriptive variables such as those related to personality, lifestyles, social status, activities, interests, opinions and attitudes. It should include as many systematic factors that are likely to influence the purchase decision as possible.

The user persona should not only represent a real person but also represent the broader group of customers so that if you meet the personas needs, the others in the group will be equally satisfied. When you start the process of building a user persona, you must ask what all factors you want to include in the persona. Some commonly included factors are representative name and picture demographic variables such as age, gender, income level, race, education level, languages spoken, employment, location, residence ownership, relationship status, biographic information, personality traits, goals, motivations, frustrations, values, preferred brands, interest, devices used and behaviours. For ease of understanding, the factors defining the person are grouped under various categories such as personal information, professional information, user environment, psychographics, aspirations, and goals, and so on.

As an example, consider the factors defining the persona of John Brown developed by a hypothetical consumer car company. John Brown is a senior marketing manager at ABC Corporation in Houston Texas. He's 37 years of age and of American Irish descent. He went to Sugar Land High School and then to the University of Texas at Austin to pursue his Bachelor of Science Undergraduate with a major in computer science. He's currently married with one son, aged eight years and lives in Sugar Land Texas. He has been working for ABC Corporation for three years. He worked for XYZ Corporation after graduation for eight years until joining ABC Corporation. The next promotion will make him general manager of marketing. John likes to read blogs on politics and business and watch funny videos on YouTube. John is slightly conservative in social and political views and leans towards the Republican Party. He likes to watch football and baseball matches. John uses android mobile devices and drives a Chevrolet SUV when the list of factors obtained for John Brown, the marketer, groups these variables John in the appropriate categories for ease of understanding.

For example, in the category of personal information, the marketer can put the name, age, marital status and education in the interest category, the marketer can list John's interest in blogs on politics and business, watching funny videos on YouTube and watching football and baseball matches. Other categories are developed similarly. For each persona the categorisation of factors is typically the same or similar so that personas can be compared easily.

Another example of a user persona for a hypothetical reading app is Book Bobby. Book Bobby is 25 years old, with a university degree. He is passionate about reading and is a member of a social Book Club. He works as a bank manager and lives with his girlfriend in Delhi. He likes reading fantasy and science fiction books and prefers to read physical copies of books but can read eBooks as well. He likes to read new books as soon as they are published. He collects books he likes for his personal library. His favourite authors of Frank Herbert, George R. Martin, and Philip Pullman. He spends a significant part of his free time on the Internet playing games, learning about books and reading articles. He's not very active on social networks but occasionally posts about reading new books. He prefers to do his shopping on the Internet.

Yet another example of a user persona for a health club is Badri. Badri is a male 27- 33 years old, a software engineer and a passionate runner. Badri is interested in a lot of sports activities, including football, cricket and tennis. He likes to participate in physical activities like trekking, kayaking, cycling, etc. He prefers cycling, trekking, football and activities that allow him to be close to nature. He's passionate, energetic, adaptive, resourceful, and personable. He loves nature and dislikes lazing around. He prefers to visit the market and buy from the store. Although he buys online as well. His goal is to meet like-minded sports enthusiasts and participate in local events and tournaments. Note that the details about any persona would depend upon the information the marketer can obtain to describe the persona.

Video 11: Customer Journey

In this video, I'll talk about the customer journey. A customer journey is broadly defined as the sequence of interactions and experiences a customer has with the company and its brand before achieving a goal and beyond. In other words, a customer journey is a series of touchpoints a customer has with the firm before making a purchase and beyond if relevant for the business with the customer.

A customer's journey typically starts with the customer becoming aware of the product or service or brand and then broadly moves through many touchpoints to purchase, use and beyond. For example, visiting the company's website or clicking on its banner advertisement at another website or opening an email from its marketing team is a touchpoint. Different customer personas may have different customer journeys.

Even for the same persona, one might find more than one possible journey. Alternatively, it is possible for all customers to go through a specific journey across key touchpoints. For ease of understanding, customer journeys are commonly represented visually using customer journey maps. A customer journey map is a cross-functional strategic management tool useful in understanding an organisations customer experience to improve it and promote innovation.

A customer journey map helps a marketer understand customer expectations, optimise customer experiences and personalise customer interactions and experiences. A customer uses many channels such as website, email, social media to interact with a company. Therefore, the journey of each customer persona has become complex due to multiple touchpoints. As a result, managing customer experience has also become challenging.

A study by salesforce.com, surveying 6,700 consumers and business buyers, finds that for 80% of customers, the experience with the companies as important as its products and services and for 70% of customers, connected interactions are very important with their business. These findings highlight the value of customer journey mapping. Since a journey map not only shows experience touchpoints, but also shows the various interconnected ways in which they happened. Therefore, a customer journey map forms the basis of understanding and managing personalised customer experiences.

So, how can we design a customer journey map? In creating a customer journey map, we must first identify customer personas since each persona may have a different journey. We must then use marketing research and all available data to list all customer touchpoints with the company and understand how customer persona moves across different touchpoints over time. This movement may include visiting a touchpoint multiple times during the journey and all these must be recorded on the map. Customer journey maps, typically show touchpoints on horizontal axis representing a timeline. The timeline is divided into three parts. The first part consists of the pre-purchase period. The second part a of the purchase period and the third part consists of the post-purchase period.

The pre-purchase period includes the touchpoints and experience before the purchase, such as website visits, experience with the pre-sales team, chat box experience, TV, and radio advertisements, receiving email solicitations and so on. The purchase period consists of all the touchpoints and experiences during the purchase event for a product or during the service event for a service. These may include the decision regarding features and experience of support received from the company's salespersons, the payment experience, the delivery and set up experience and so on.

The post-purchase period consists of touchpoints and experiences with the company after the purchase process is over. This includes customers writing reviews on the company website or on its social media sites. Returning the purchase, post-purchases services from the company such as reminders for events and further associated purchases.

Each of the three periods can be further divided by vertical axis based on many factors. One way is to divide them into strategic categories, showing the firm strategic initiatives related to each touchpoint. Such a division can help in innovations to improve customer experience by highlighting opportunities. The vertical categories could show managerial actions by cross-functional teams associated with the respective touchpoints. This will connect customer journey touchpoints with managerial actions and thus highlight opportunities to promote innovations. These vertical divisions could show a customer's emotional journey across touchpoints such as thoughts, beliefs, and emotions. This approach helps empathise with customers more as a customer moves along her emotional journey across the touchpoints. The vertical divisions may include multiple factors useful in a situation. Overall, one should be very careful about developing the vertical categories as they have important implications. Too much information may make it difficult to understand and use the map. On the other hand, too little information would miss out on important information to improve the customer journey.

Let us now look at some examples of customer journey maps. The first example is from Synergies that shows a generic digital customer journey in retail. This map shows the journey of several customer personas across the stages of awareness, consideration, purchase experience, and advocacy. It shows various channels that interact with their personas. In the second example, we see a customer journey map by the Lego Group called The Experience Wheel, by Lego. In this map, the company has depicted the timeline in a circular form. This is an innovative way of showing the timeline.

However, the same can be depicted as a horizontal line, something done more commonly. The map shows the details of the experience depicted in the map and the customer persona involved at the centre of the wheel, a customer’s journey across the three stages of before, during and after the service is shown as three parts of the wheel. The figure uses icons to represent customer experience in the journey, critical make or break moments and instances in the journey where the company needs data to help deliver the experience. The third example shows customer perceptions across a credit card experience. More details can be added to this basic map to make it more useful.

Video 12: Summary

Hi, in this module, we started with a discussion of a product market. We learned how to define a product market, and also learned why defining a product market clearly is important in the process of new product development. Then we discussed market segmentation, and why companies need to do it. We also discussed variables commonly used to describe segments, and the criteria for defining a good segmentation scheme. We then learned about how to make the decision, to target one or more segments, and discussed a three-step approach. After the targeting decision, we learned about customer personas used to profile a segment. Finally, we complete the module with a discussion of the customer journey.