


Market Segmentation

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Using segmentation to improve performance – a case study

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Design and setting by P.K. McBride

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Using segmentation to improve performance – a case study

Summary

This chapter contains a case study written by a company that has applied segmentation to their business. Although the case is based on the supply of services to business customers, it contains insights that are of interest to all companies, regardless of what they supply or to whom they supply it.

This chapter is organized as follows:

- GlobalTech – developing service support for high-tech products

The real identity of the company has been disguised and, where necessary, the company has modified any commercially sensitive data.

Additional case studies can be found at www.marketsegmentation.co.uk.

■ GlobalTech

This case study describes the use of market segmentation to assist in the development of a service product. Customer requirements were captured via qualitative research and the segmentation was completed through the use of quantitative research. The result was a set of segments that enabled the development of a new approach to delivering service while improving customer satisfaction.

GlobalTech is the fictitious name of a real company marketing high-tech and service products globally. Customers are counted in hundreds of thousands. The markets are mainly business-to-business with a very few large customers buying thousands of items. Service is a major revenue stream measured in billions of dollars. The lessons learnt from this case study could be of interest to any organization having to care for large numbers of customers.

■ Background

A failed segmentation

An internal GlobalTech team tried to complete a marketing audit in 2000. This included market definition, market segmentation and quantification. Each product division conducted their audit separately. They used mainly brainstorming techniques to define their markets and to produce the data required.

Markets transcend your internally defined product divisions. Therefore, it is best to understand the markets and monitor your overall performance in those markets. To reshape market information to meet the needs of internal reporting will lead to misinformation.

Company insight 1

On completion, the results were compared across the divisions. It rapidly became apparent that each division addressed almost all the markets. However, the market definitions they produced were different with significant bias to just the products they offered. Similarly the segments each division identified were in conflict with the outputs from the other divisions.

On reflection it was agreed that the results were unreliable. They could not be used to help shape future strategies or marketing investments.

GlobalTech was now in the uncomfortable situation of being in a market information vacuum. Any confidence they had in their understanding of the market had been destroyed. Consequently the decision was taken that all future market analysis and understanding tasks would be supported by appropriate investments in market research.

Do not rely on the internally gathered opinions of your sales and marketing staffs to define markets and identify customer requirements and attitudes. Do invest in the necessary market research to provide a reliable segmentation and support for strategy and product development.

Company insight 2

First market segmentation

The following year the segmentation was redone supported by extensive qualitative and quantitative market research. The objective was to understand and group into segments the decision-makers for the product in the overall market.

Chapter extract

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