


# Market Segmentation

# 5

## Portraying how a market works and identifying decision-makers

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Design and setting by P.K. McBride



# 5

## Portraying how a market works and identifying decision-makers

### Summary

This chapter takes a detailed look at the way a market works in order to identify where decisions are made about competing products and services. It is these decision-makers who then proceed to the next stage of the segmentation project as it is their requirements you must understand in order to develop successful marketing propositions. Successful segmentation is based on a detailed understanding of decision-makers and their needs.

In some cases, the diversity of the decision-makers is such that it is necessary to divide them between more than one project. This is to ensure that the segmentation process is both manageable and arrives at meaningful conclusions.

The parameters for this, the second step in the segmentation process, as illustrated in Figure 5.1, are those established in the previous chapter when you determined the scope of your segmentation project.

This book refers to those whose needs you must understand (if you are to develop successful marketing propositions) under the title of 'decision-maker'. You may find it more appropriate in your market to refer to them as 'specifiers'.

#### Stage 1: Your market and how it works

##### Step 1: Defining the 'market'

The scope of the project

##### Step 2: Market mapping

Structure and decision-makers

**Figure 5.1:** The segmentation process – Step 2

In many markets, especially business-to-consumer markets, drawing a 'market map' and identifying decision-makers has been quite a simple exercise. However, even in these markets, the emergence of alternative routes to market has made market mapping an essential exercise, an exercise that should be revisited and updated on a regular basis.

Although in structurally very simple markets you may feel it is possible to skip this step of the segmentation process, it is strongly recommended that you at least review the 'Fast track' for this step in Chapter 3 and give it most careful thought before deciding that market mapping is not relevant. *In our experience, market mapping is relevant to all organizations.*

This chapter aims to provide you with a practical guide to market mapping so that your first market map(s) can be constructed using information already held by your company. This information can come from departments such as sales, customer services, distribution, accounts, and so on. Past market surveys and industry statistics can also be useful sources of information, assuming you have any. Verification, if required, can be included in any follow-up work you commission for your segmentation project as a whole. Examples of market maps appear towards the end of the chapter.

In addition to segmenting those you target with your products and services, it is sometimes necessary to follow this up with a segmentation project for intermediaries, such as retailers, so that you have a detailed understanding of how to win 'shelf space'. This is to ensure that once you have got your products aligned to segments, the segments can then access these products through the channels they prefer to use.

This chapter is organized as follows:

- Presenting the stages ('junctions') along the distribution and value added chain as a map
- Showing the 'routes' that connect final users with suppliers
- Approaching the map from the suppliers' perspective, instead of the final users' perspective
- Where to end the map for a company that is not a supplier
- Ensuring your map includes any 'hidden' final users
- Covering the different stages a purchase has to go through within organizations
- Capturing the role of influencers in a market, including the role of consultants
- Attaching quantities to the market map
- Expanding the detail of a junction to highlight any differences found there ('junction types')
- Market maps in the tabular form
- Identifying where decisions are made in the market ('market leverage points')
- Accommodating 'shared' and 'cumulative' decision-making on the map
- Selecting the junction to be segmented
- Guidelines for including more than one junction in a single project
- Whether to include or exclude customers who are not decision-makers
- Taking the opportunity to test views on how the market splits into segments ('preliminary segments')
- A review of this step in the segmentation process
- Market map for the case study and further examples
- Exercises further to help you compile your market map.

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