


Market Segmentation

6

Developing a representative sample of different decision-makers

Contents

The components of a 'micro-segment'	144
Price	146
Developing micro-segments	147
Getting micro-segments up and running	148
Managing micro-segments – keeping control	161
Key Discriminating Features	163
Key discriminating feature guidelines	165
What, where, when and how	172
Profiling and ensuring it is practical	175
Profiling – standard categories	177
Profiling – additional categories	180
Profiling – keeping it practical	182
Further examples	190
A selection of standard approaches to profiling businesses	192
A selection of standard approaches to profiling individuals	196
Exercises	202

 Published by Goodfellow Publishers Limited, Woodeaton, Oxford, OX3 9TJ
<http://www.goodfellowpublishers.com>

Copyright © Goodfellow Publishers 2010

All rights reserved by Goodfellow Publishers Limited. The text of this publication, or any part thereof, may not be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, storage in an information retrieval system, or otherwise, without prior permission of the publisher.



Design and setting by P.K. McBride

6

Developing a representative sample of different decision-makers

Summary

For the vast majority of markets it simply is not feasible, or even necessary, to include all the decision-makers who are now the focus of your segmentation project. The concluding segments are therefore derived from a sample of decision-makers who, between them, represent the specified market as a whole.

For projects which include current decision-makers and potential decision-makers, this book now uses the term 'decision-maker' to refer to both.

This chapter provides the guidelines you require in order to develop a representative sample of different decision-makers when conducting a segmentation project using internal resources. In building your model of the specified market, this, the third step in the segmentation process, as illustrated in Figure 6.1, identifies the characteristics and properties of a purchase on which decisions are made along with the customer attributes that will be used to describe the decision-makers. It is the very heart of the segmentation process and, as such, requires you to give it careful thought.

This step is the very heart of the segmentation process and requires careful thought.

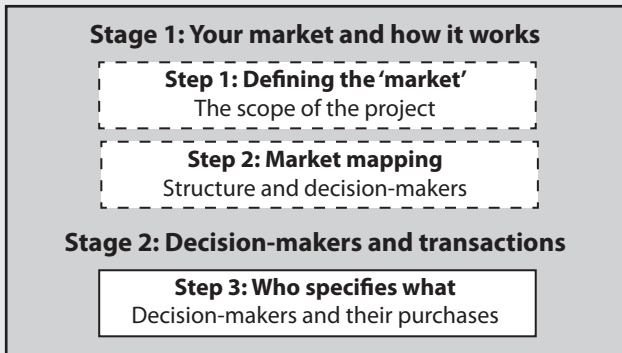


Figure 6.1: The segmentation process – Step 3

Note: 'What' refers to all aspects of a purchase and therefore includes 'where' products are bought, 'when' they are bought and 'how' they are bought in addition to what the actual product or service itself is, consists of, or is made from.

The pivotal importance of this step in the segmentation process accounts for it being our longest chapter, though the procedure for completing the step occupies only around one-quarter of it. Reference sections for the key inputs are included for those who require them and account for a significant portion of the chapter.

Information for this step potentially can be found in a number of areas and may require you to talk with a cross-section of representatives from sales, marketing, customer services, customer enquiries and ordering, as well as from distribution. Revisiting appropriate past market surveys may also provide valuable input. It is important to remember, however, that you are looking at the entire market falling within the scope of your segmentation project, not just your own customers.

The principle behind this step is that by observing the purchase behaviour of decision-makers and understanding the key constituents of this behaviour, we have a platform for developing a detailed understanding of their motivations. It is, therefore, a critical link with the next step of the segmentation process, which looks at why decision-makers select the particular products and services they specify. This, in turn, becomes the basis on which the segments are formed.

Defer any external market research until the internal segmentation project has completed the phase of developing segments.

An alternative approach to developing your own model of the market is to commission an external market research agency to take over your segmentation project at this point, and an agency which fully understands what *market* segmentation involves will deliver a good project. However, it is our experience that this is best deferred until your internal segmentation project has completed the phase of developing segments, after which you will be able to compile a better informed and much more productive brief. Justifying the expense of a market research project may also have to depend on the strategic implications which emerge from the findings of the internal segmentation project.

The significance of this step in the segmentation process, and of the step that follows it, is clearly illustrated in the much simplified example of a completed segmentation project in the market for toothpaste, originally presented in Chapter 2 and, for ease of reference, repeated in Table 6.1.

The details captured for each segment in Table 6.1 include a series of attributes describing who they are, the key constituents of their purchase, and the principal motivation underpinning their behaviour, all of which we carefully consider in the segmentation process. However, before arriving at these concluding segments, it will have been essential for the project to have first developed a representative sample of decision-makers, to have understood their purchase behaviour and, in turn, their motivations, and to have recorded information about each of them that describes who they are. The principal reasons for their purchase would then have been used as the basis for consolidating the sample into meaningful segments. The step you are about to follow, along with the next two steps, progressively take you through this sequence.

Table 6.1: Segments in the market for toothpaste

		Segment name			
		Worrier	Sociable	Sensory	Independent
Profile	Demographic	C1 C2 25–40 Large families	B C1 C2 Teens Young smokers	C1 C2 D Children	A B 35–40 Male
	Psychographic	Conservative: hypochondriacs	High sociability: active	High self- involvement: hedonists	High autonomy: value orientated
What is bought, where, when and how	Product examples	Signal Mentadent P	Macleans Ultrabrite	Colgate Aquafresh	Own label
	Product features	Large canisters Health properties	Large tubes Whitening properties	Medium tubes Flavouring	Small tubes
	Outlet	Supermarket	Supermarket	Supermarket	Independent
	Purchase frequency	Weekly	Monthly	Monthly	Quarterly
Why it is bought	Benefits sought	Stop decay	Attract attention	Taste	Functionality
Price paid		Medium	High	Medium	Low
Percentage of market		50%	30%	15%	5%
Potential for growth		Low	High	Medium	Nil

Note: 'C1', 'C2', and so on appearing in the demographic profiles of each segment represent socio-economic groups which were in use in the UK until 2001, now replaced in official statistics by eight analytic classes numbered from 1 through to 8.

A term we use for the first time in this chapter is 'Key Discriminating Features' (KDFs). This refers to the characteristics and properties of a purchase which customers regard as decisive when making a distinction between alternative offers. A section is included in this chapter which fully explains this term.

This chapter is organized as follows:

- An introduction to 'micro-segments' and how they represent distinct groups of customers, along with an overview of their three components (key discriminating features (KDFs), profiling characteristics and size)
- A brief comment about the role of price at this stage of the project
- The procedure to follow when developing micro-segments
- Keeping control of the number of micro-segments
- A more detailed look at identifying the features that are used by decision-makers to differentiate between competing offers
- Guidelines to consider when selecting features for the micro-segments
- A brief review of the four categories from which the key discriminating features are selected (what, where, when and how)

Chapter extract

**To buy the full file, and for copyright
information, click here**

[http://www.goodfellowpublishers.com/academic-publishing.php?promoCode=&partnerID=&content=story&st](http://www.goodfellowpublishers.com/academic-publishing.php?promoCode=&partnerID=&content=story&storyID=237)

[oryID=237](http://www.goodfellowpublishers.com/academic-publishing.php?promoCode=&partnerID=&content=story&storyID=237)



All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recorded or otherwise, without the written permission of Goodfellow Publishers Ltd

All requests should be sent in the first instance to

rights@goodfellowpublishers.com

www.goodfellowpublishers.com