

Market Segmentation

7

Accounting for the behaviour of decision-makers

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Design and setting by P.K. McBride

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Accounting for the behaviour of decision-makers

Summary

To really understand what lies behind the choices made by customers requires their behaviour to be understood in terms of the needs they are seeking to satisfy. This is the most useful and practical way of explaining customer behaviour as it provides the insights required for putting together the most appropriate offer for each of the concluding segments, thereby realizing the most valuable benefits of segmentation. It is the needs of decision-makers that are identified by this, the fourth step in the segmentation process, as illustrated in Figure 7.1.

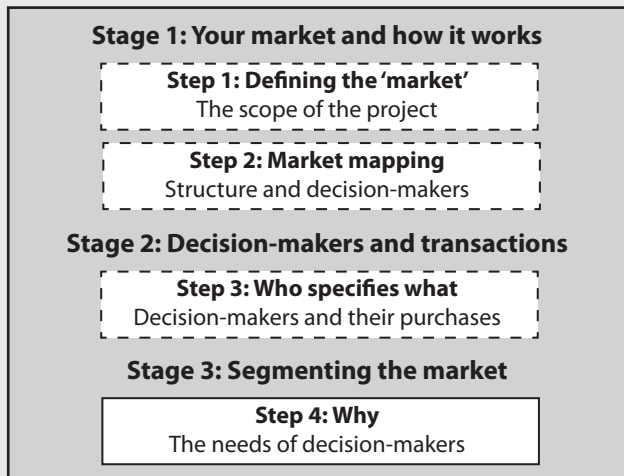


Figure 7.1: The segmentation process – Step 4

This chapter uses the details put together in the previous step to determine the needs-based buying requirements of the decision-makers who now form the sample for your project and takes account of the role of 'price' in their decision-making. As these are the criteria on which the concluding segments for your market will be based, this step, when completed, provides the framework for comparing the different decision-makers with one another.

When conducting a segmentation project using internal resources, information for this step potentially can be found among the same individuals involved in the previous step, supplemented, where possible, by lost sales reports and appropriate past market surveys. It is important to remember, however, that the project is looking at the needs of the entire market falling within the scope of your segmentation project, not just the needs that your company can satisfy.

While we would still recommend that your internal segmentation project completes the phase of developing segments before commissioning an external market research company to fill in any information gaps, a substantial part of the brief can usefully be pulled together once you have taken the project through this step of the process.

A term we use for the first time in this chapter is 'Decisive Buying Criteria' (DBC). This refers to the attributes of a purchase that customers evaluate when choosing between alternative offers and describes customer needs. We also use the term 'Critical Success Factors' (CSFs) which refers to the constituents of an offer that enable companies to deliver the benefits customers are seeking. Critical success factors therefore describe for the company the relevant product, price, promotion and place requirements (and all other relevant 'Ps').

This chapter is organized as follows:

- A brief discussion about the two principal theories of customer behaviour and why explaining this behaviour in terms of 'benefits' is preferred
- How to progress from a feature, through its advantage, to the benefit a customer is looking for
- A discussion about the role of price in segmentation and its inclusion in this step
- The procedures to follow when identifying the benefits that lie behind the choices made by micro-segments – their 'decisive buying criteria' (DBCs)
- How to indicate the relative importance of decisive buying criteria numerically as opposed to using stars and tick marks
- A further look at why understanding behaviour in terms of 'benefits' leads to successful marketing
- The distinction between 'standard', 'company' and 'differential' benefits
- How to avoid providing answers to the question 'why?' that simply represent the status quo, and keeping alert to the possibility of there being unsatisfied needs
- Techniques that can be used to uncover unsatisfied needs
- A brief note for those whose project is focusing on one strategic business unit (SBU), but whose market straddles a number of these business units
- A review of this step in the segmentation process
- Decisive buying criteria for the case study and their scores for a selection of micro-segments, along with some further examples of benefits
- Exercises further to help you identify decisive buying criteria and to indicate their relative importance to micro-segments

Chapter extract

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