SEGMENTING THE MARKET

tool description & worksheet

Version 2.0

WHAT?

Enables you to identify different customer segments within each of your target groups. Clearly answers the questions: Where are our key customer segments? What are their defining characteristics? In what way do we meet each of these segments’ needs? Which segment should we focus on first?

WHY?

Helps you narrow the base of potential customers into a few clearly defined and manageable customer segments. Enables you to begin ‘zooming in’ and refining your description of these customers so you can reach them in a more focused and efficient way.
Define your key customer segments and identify the customers to focus on first by following the steps below.

STEP 1 DEFINE YOUR CUSTOMER SEGMENTS
If you have several target groups (see ‘Sizing the Market’ tool), use a different worksheet for each target group.

Divide your target group in several meaningful and measurable segments, according to their needs, past behaviors, or their demographic profiles.

Consider the following questions:
- What are the different customer needs and purchasing habits within your target group? i.e. volume of your product used per day/week/month, place of purchase…
- What are the different levels of income within your target group?

Use the answers to these questions to divide your target group into distinct customer segments.

STEP 2 DEFINE DIFFERENTIATING CHARACTERISTICS
Identify key characteristics along which to compare your customer segments. Think of characteristics that are particularly relevant to how you will market your business to these customer segments.
E.g. level of education, size of household, access to media channels, percentage that is served by competitor, etc.
STEP 3 COMPARE YOUR CUSTOMER SEGMENTS
Detail each of your customer segments along the characteristics identified in step 2. Be as precise as possible, to allow for accurate comparison and assessment in step 4.

STEP 4 MAKE AN ASSESSMENT
For each segment, make an initial assessment of the importance of this group.

Take into consideration the following:
- Who are you already selling to?
- Who will be most attracted by your product’s benefits?
- Who can be reached most easily and quickly? Consider your sales channels (location and capacity)

With this in mind, give each segment an importance level of High/Medium/Low.

This way of narrowing down helps you to tailor your marketing activities within each target group, and use your resources in a focused manner. This facilitates customer acquisition and retention. To bring your target group and most important customer segment to life, you can use the Customer Persona tool.
You can start concentrating your marketing efforts on those segments that are most likely to need your product and that are willing and able to buy it.
SEGMENTING THE MARKET

guidelines for consultants

Version 2.0

WHEN?

Use the tool when you need to divide an enterprise's target group(s) into clear and manageable customer segments. Use this tool after the 'Sizing the Market' tool.
To ensure actionable results, keep these guidelines in mind while working with participants.

**1. DIFFERENTIATE BETWEEN TARGET GROUPS AND CUSTOMER SEGMENTS**

Spend some time at the beginning of the session to clarify the difference between target groups and customer segments.

**2. ENSURE THE RELEVANCE OF THE DIFFERENTIATING CHARACTERISTICS**

Make sure that the enterprise identifies differentiating characteristics that are relevant to their particular business. For example, if selling a product that requires instructions, the enterprise may want to consider the education level of each of its customer segments, to assess the best approach for product explanation (pamphlet, in person demonstration etc…).
SEGMENTING AND APPROACH

TIME
A ‘segmenting the market’ session can be done in 1-2 hours. It can also last several weeks for ‘deep dives’ that involve further collection of data on each separate customer segment.

MATERIALS
Large print, drawing or slide of the worksheet; pin board or whiteboard; workshop materials (markers, cards, lots of Post-its, etc.).

TEAM
You will need one facilitator and one or more people representing the parts of the client enterprise.
For larger groups: have people in smaller groups fill in each section and present the outcomes.

DOCUMENTATION
Keep the documentation (sources) handy so that it can be referred to for information to fill in the worksheet.
If you are not working with the digital spreadsheet, work with a whiteboard or Post-its so you can add and remove information easily.
Dunbar, Ian and McDonald, Malcolm (2012), Market Segmentation: How to Do It and How to Profit from It, Hoboken, New Jersey, USA: Wiley
SEGMENTING THE MARKET

Enables you to segment your target groups into a few clearly defined and manageable customer segments.

Name of your target group:

<table>
<thead>
<tr>
<th>Key Customer Segments</th>
<th>Differentiating characteristics</th>
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Importance of this group
(high/medium/low)
Make an assessment taking into considerations the elements above.