

Market segmentation

A Guest Article by Brian Ballard
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Finding your niche

Market segmentation is the element of your marketing planning that will help you to determine who your customers are, their geographic location, how and why they will buy from you, what makes them unique, and what you have to do to keep them loyal.

The concepts of market segmentation have become known as niche marketing. Instead of trying to compete on a grand scale, businesses choose to compete in smaller areas. These are called niches. Within these niches, businesses must identify certain characteristics to differentiate customers from one another.

Now you are ready to segment your market. You have to decide whether the market has potential for you. You may want to review the market attractiveness. Or you may want to determine whether the market can afford your services, whether there is growth potential, who the competitors are, and the cost of doing business in this marketplace.

You can take the process one step further by identifying the customer characteristics of your market segment.

This can be done:

- geographically
- demographically
- psychologically
- by what is purchased
- by type of organisation.

We can use any or all of these techniques to find out in which market segment our product or service fits.

Geographic characteristics

It is necessary to look at the geographic area of where we are aiming to sell our product/service. This can be broken down into: continent, country, state or county, city, urban, inner city, regional.

We also need to consider the distance of the market from the base of the product development and storage.

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Demographic characteristics

Demographics looks at the makeup of the prospective buyers. We should consider their age, gender, education, occupation, disposable income and any special characteristics.

- **Age:** Is the target market a child, a teenager, an adult or a retired person?
- **Gender:** Is the product aimed at males or females?
- **Education:** Would the product suit people with a secondary, tertiary or university education?
- **Occupation:** Is the product to be used in a special occupation?
- **Disposable income:** Is the product/service priced to a higher salaried bracket of the market?
- **Special characteristics:** Is the prospective customer a member of a special religion, race or nationality?

All of these need to be considered to put together a quality marketing campaign. Omitting the consideration of any one of these areas could mean the failure of the plan.

Psychological characteristics

Each buyer is different and their reasons for buying are different. They could be influenced psychologically by their lifestyle, status, preferences and usage patterns. They could have special fashion needs, or follow fashion trends. Personal preferences could affect buying trends. The customer's hobbies, sporting activities or special interests will have to be considered.

Religion, ethnic requirements, political trends all have to be considered for possible areas of marketing actions.

What is purchased?

The product could be deemed to be a volume purchase – that is, customers would buy many units at each purchase. This needs to be considered, for example, in the pricing area of marketing, and should be discussed in market research and planning.

What type of purchase will be made to secure this product? Will it be purchased by cash, by credit card, or on lease or term payment basis? This is an integral part of all consideration in getting the product to the market, and should be considered during market planning.

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Type of organisation

What type of organisation constitutes your target market?

- **Industry type:**
 - manufacturing
 - service

- **Business type:**
 - partnership
 - company
 - sole trader
 - franchise
 - agent

- **Building type:**
 - residential
 - flat
 - townhouse
 - private home
 - industrial
 - leased
 - rented
 - owned.

All these factors have to be considered if you are to market your product to get the highest return from your marketing activities.

It is vital to research every aspect of your market niche to see how best you can meet the needs of your market and then balance this with your differential.

You should consider many other characteristics when analysing your customers.

Your primary market consists of the customers with whom you do the most business. Your secondary market consists of customers with whom you do business, but either not as often or for not as much volume. Both these markets are important, and you should analyse them carefully. Even if they exist within

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the same market segment, you may have to develop separate marketing plans for them.

This point is critical to your success. When you have segmented a market and selected your customer targets on the basis of specific criteria, you must develop a separate marketing plan or programme for each market.

Other ways to segment the market

There are other categories or classifications that may be used to segment the market even further. The tighter you can make your marketplace, the more effective your marketing will be. Some other primary market identifiers you may want to consider include:

- **Financial volume or size:** How much money can your participation in this marketplace generate? Are there enough prospective customers to make it financially viable for you to compete?
- **Socio-psychological needs:** What is the emotional state of the marketplace, and does your product or service relate positively to that emotional state?
- **Purchaser/user:** Quite often, the user is not the purchaser – for instance, when a parent buys children’s clothing. You must know both the purchaser and the user.
- **Buying influences:** These include all outside people and events that can affect the purchase of your product or service.
- **Loyalty:** Will your customers be loyal to your product or service? Try to find this out before settling on a particular market segment in which to do business.

Getting to know your customer

It is essential to know who your potential customer will be and what makes them tick, so to speak. Ask the following questions.

- Is our customer male or female, married or single, white or blue collar, educated or not?
- What does our customer need from us?
- What does our customer want from us, and how does this differ from what he or she needs from us?

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- Can we satisfy those needs and wants and, if not, what changes must we make to satisfy them?
- What does our customer expect from us in sales and service?
- What must we do to meet and exceed those expectations?
- Where will we find our customer?
- What must we do to keep our customer loyal?
- How do we get our customer to refer new customers to us?
- What must we do to make sure that what we are selling is what our customer is buying?

These questions should help you get to know your customers. You should perform a SWOT analysis on your customers or interview several of them to find out who they are, why they do business with you, and what you have to do to keep their business. Put all this information into your marketing plan. It is as important as your demographic and statistical information.

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If you would like more information on any of the points covered in this Guest Article, please contact **TCii** on **020 7099 2621**.