A structured approach to B2B segmentation

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Abstract   This paper provides a structured approach to organising both internal and external business information resources. The techniques proposed in this paper will give the reader the ability to develop high-level strategic plans and tactical day-to-day communications and targeting programmes designed to maximise sales resources. The author spells out, step by step, how to understand goals, define measures that play into those goals, prepare data, create a modelling database, develop meaningful business-to-business (B2B) segments and apply the analysis throughout an organisation.

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OUTLINE

The following outline should serve as a roadmap for the reader. The process of structuring the approach to segmenting internal and external business information resources in order to maximise sales resources involves four steps:

1 A clear understanding of goals and objectives;
2 Defining and preparing the data that plays into those goals and objectives;
3 Modelling
   • Building a '$potential per employee multiplier' that can be used to score lists and geographies
   • Framing — don't mix small, medium and large businesses together
   • Developing a small, manageable number of 'meaningful' business segments
   • Profile development — understanding penetration and value by segment; and
4 Applications
   • Tactical
   • Strategic.

A CLEAR UNDERSTANDING OF GOALS AND OBJECTIVES

The first step in building a custom segmentation system is to meet with the various departments that will be utilising the system. It is important to understand your goals and objectives by identifying your segmentation expectations, data inputs, resources and implementation requirements. Often, based upon different departmental goals, data inputs may need to be acquired. Or, conversely, based upon the availability of data inputs, goals may need to be modified to reflect data availability.

Forming a small project team can be

highly effective. Typically, the team might talk twice a month (or weekly in the beginning) to review goals and objectives and discuss intermediate results and findings. The project team might include members from marketing, sales, database marketing, media planning, market research and, most importantly, someone from IT (to facilitate the necessary data pulls to be used in the segmentation development). The cliché that fits best here is 'measure twice, cut once'.

An outcome of these discussions is a formal project plan outlining goals, tasks, owners, touch-points, validation procedures, timelines, deliverables etc. The project plan is critical to success and is used to review project status in the weekly or bi-weekly discussions (to keep everyone on track).

Defining and preparing the data that play into those goals and objectives

Once project team meetings have been established and a project plan has been built, the data metrics that play into the goals and objectives must be carefully audited for completeness and accuracy. Each field in the customer database must be studied for blank records, zero values, minimums, maximums, means, deviations, outliers etc. Any inconsistencies must be identified and discussed for resolution. Serious data inconsistencies may mean the data was pulled incorrectly and may dictate a new data pull.

Data preparation is the single most important element of success in developing an effective B2B segmentation system. Data preparation begins with a careful inspection of the entire customer database. With business information, the file must be inspected for format, content, and anomalies such as missing IDs, names, addresses, zip codes, phone numbers and duplicate records (which may need to be consolidated into a single record). An example of where duplicate records might occur is a publishing company that has an advertiser who places an ad five times during the course of the year and is entered into the customer file five times (as is often the case with billing files). Billing files need to be converted to marketing files. In this example, it would be important to consolidate the five records into one record with one total annual spend figure.

Data preparation will vary by industry type. The author recently prepared data for a project involving a large newspaper where it was determined that all national advertisers should be removed from the analysis (because the newspaper had a special sales force focused on national advertisers). The process was not difficult since the national advertisers were easily identified and small in number. In addition, for this newspaper, all classified advertisers were removed from the analysis because the implementation goals did not include that audience. Every industry will have a different set of removal criteria. There are many nuances involved here, which require knowledge that only comes with experience, such as removing very new customers where sales history may be limited.

The customer file must also be 'standardised' and addresses corrected, which means a common set of rules must be used to correct misspellings, truncations, abbreviations, synonyms, noise words etc. Consumer records must be identified and parsed out from the business records. A good 'dictionary' is required to recognise trade names, business terminology, personal names, professions, industry-specific jargon, geographic places and pattern differences. This stage of the data preparation is all about detail, as the end goal of the

Typical data matching challenges may include:

Differing address formats:

705-A East Oak St	220 E Marie Ave
705 E Oak St Ste A	220 Marie Ave East

Company name variations:

GE	IBM
G.E.	I.B.M.
General Electric	International Business Machines
General Electric Corporation	

Figure 1: Matching challenges

inspection is the creation of a customer database or 'analysis dataset'.

Once an analysis dataset is created, it must be matched against a 'universe dataset', such as those provided by vendors like infoUSA and D&B. Data matching is another procedure involving great detail. When effectively performed, data matching detects the existence of the same record within different data sources. This task would be trivial if it were only necessary to identify exact matches; however, matching different data sources can be very complex because of different record formats, typographical errors, misspellings, name variations, omissions, abbreviations and other problems (see Figure 1).

All removal and cleansing criteria imposed on the analysis dataset should also be imposed on the universe dataset (which will assure correct penetration calculations). So, for example, assume that an Standard Industrial Classification (SIC) code such as 'chemicals and abrasives' was determined by management to be undesirable and was therefore eliminated from the analysis dataset. It would be important to eliminate all establishments that fall into this SIC Code from the universe file as well.

Two types of error can occur in data matching: 'false positive' matches and 'false negative' matches. A false positive results from a determination that there is a match between two records when, in fact, the records are different. A false negative occurs from a determination that two records are different, when actually the records are the same. The ultimate matching results find all the records that match, while identifying no records as matches that do not belong together.

A company's tolerance regarding these types of errors may change depending on the task to be accomplished. For example, if an organisation is formulating a mail campaign wherein the prospect piece differs from the customer piece, it may be willing to tolerate marginally more false positives (incorrectly matched records) to ensure that the highest numbers of customers are suppressed from the prospect mailing. Conversely, if a company is conducting a high-level strategic market study, its tolerance for false positives and negatives will be greater, since a few data discrepancies will be moderated by the volume of other data points studied.

Matching business information is more complicated than matching consumer data because millions of businesses start up, shut down and change names and

Table 1: The multiplier

SIC code	Total premiums	No of employees	Premium per employee
Segment 1	$8,346,000	66,597	$125
Segment 2	$2,169,000	26,992	$80
Segment 3	$15,384,000	107,688	$143
Segment 4	$5,524,000	65,472	$84
.	.	.	.
.	.	.	.
Total	$159,500,000	1,173,369	$136

addresses each year. Furthermore, businesses are far more likely than consumers to have multiple addresses and multiple phone numbers and contact names. Once the matching process has been completed, a second data audit of the analysis dataset should be performed to identify records with no employees (typically PO boxes).

The matching process should also include the appending of key business demographics (often called firmagraphics) such as the SIC or North American Industrial Classification System (NAICS) codes, headquarters or branch locations, the number of local employees, key contact names etc. The firmagraphics — typically purchased for sales prospecting purposes — will also have great analytical value in terms of understanding the customer and sizing the market.

Two key firmagraphics will be the focal point of this paper: the type of business (either the SIC or NAICS codes) and the size of the business (number of employees). Size is addressed by the number of employees rather than annual revenue simply because it tends to be a more reliable piece of information (most privately-held companies will not reveal their revenue figures and when they do, the numbers are often inaccurate). Vendors of such databases will typically model the revenue figures and report them as best estimates. They are, considered by many, to be highly inaccurate.

Included in the analysis dataset, beyond name and address, will be key measures of success. These, too, will vary by industry. For an insurance provider, key measures would be the number of employees enrolled, total annual group premium value, channel acquired and perhaps, some product detail such as dental, Long Term Disability (LTD), term life etc. For a utility, key measures would be programmes adopted, revenue-generating services, level of involvement, usage (kilowatt hours) etc. For a commercial bank, key measures would be services utilised, loan values, payment history etc. These volumetric measures of success are quite critical to the analysis because they speak to value.

MODELLING

Building a '$potential per employee multiplier' that can be used to score lists and geographies

One of the most critical elements of this analysis is the development of a demand multiplier (see Table 1). The essence of the multiplier is captured in the question: 'How much is a single employee at a certain type and size of business worth to your organisation?' For example, if Staples — a large manufacturer and distributor of office supplies — wanted to know the value of a single employee at a large construction company, it would need to calculate a 'multiplier' for that

Table 2: Understanding size range considerations

Size range	Analysis base	Analysis (%)	Universe base	Universe (%)	Penetration (%)	Index
1 to 9	27,158	80.72	204,106	79.28	13.31	102
10 to 19	4,809	14.29	38,442	14.93	12.51	96
20 to 49	1,095	3.25	9,434	3.66	11.61	89
50 to 99	345	1.03	2,916	1.13	11.83	91
100 to 499	203	0.60	2,120	0.82	9.58	73
499 to 999	25	0.07	265	0.10	9.43	72
1,000+	9	0.03	159	0.06	5.66	43
Total	33,644	100.00	257,442	100.00	13.07	100

type of company for that size range. The multiplier will change based upon the type of business (NAIC/SIC) and the size of the business (number of employees). The multiplier allows an organisation to score both lists and geographies. For example, assume a multiplier of $100 for this large construction company. When scoring a list (either a customer file or an external prospect list) for a large construction company with 575 employees, Staples would multiply the 575 employees by the multiplier of $100 to come up with a demand estimate of $575,000 for this particular business establishment. Estimating demand will be discussed in greater detail later in this paper, but one footnote worth mentioning here is that the demand estimate of $575,000 would need to be adjusted by the penetration rate into that industry for that size class. So, for example, if Staples had a 10 per cent penetration rate into large construction companies, meaning they have one for every ten of those businesses as customers when comparing their customer counts in the analysis dataset with their universe dataset, that would imply an adjusted demand estimate of $57,500.

In addition to scoring lists, multipliers can also be used to measure demand in a geography, such as a zip code. If the distribution of businesses within a zip code is known, by type of business and by size class, those respective multipliers can be used to estimate total adjusted demand for all business establishments in that zip code. This, too, will be explored later in this paper.

The multiplier is, to some extent, the 'end-game.' In order to assure strong and meaningful multipliers, it is important not to mix large and small businesses in the same segment definition. For example, demand potential from (and communication with) a manufacturing business with 1,000+ employees would be very different from that for a manufacturing business with fewer than ten employees. If large and small businesses are grouped together, the multiplier will become diluted or inflated depending on the situation and hence less meaningful.

Framing — Don't mix small, medium and large businesses together

In order to develop meaningful multipliers it is necessary to 'audit' the customer file (the analysis dataset) by size class. The US government has defined seven standard size class ranges, although the analysis is by no means limited to these definitions. A good first step would be to develop frequency counts by size class to determine the disparity of the analysis dataset. In Table 2, the analysis dataset is audited by the seven standard size class ranges. The first two columns

consider the analysis dataset and second two columns consider the universe dataset. The last two columns display a simple penetration rate (the number of customers compared with the total number of prospects in the universe dataset) and an index (the percentage of customers compared with the percentage in the universe).

It is interesting to note that in Table 2 the more employees a business segment has, the less likely businesses in that segment are to be customers. These types of audit reports have great stand alone value in terms of understanding where the business is coming from, but the purpose here is to understand size class disparity and determine how one may want to 'frame' the construction of business segments. In this example, it would appear that the analysis dataset is, for the most part, that of small businesses. Roughly 95 per cent of the customers are businesses with fewer than 20 employees. This indicates that the businesses in the analysis dataset can be analysed together because they share a high degree of homogeneity in terms of their size (ensuring strong and meaningful multipliers without the chances of dilution).

If there were a larger disparity by size class, one would want to frame the segmentation analysis using meaningful and homogeneous 'buckets' such as large, medium and small. For example, the large bucket might be businesses with 500+ employees, the medium bucket might be businesses with 50–499 employees and the small bucket might be businesses with fewer than 50 employees. How one frames an analysis might be determined by how one's own organisation is structured. For example, many businesses have a small business group. It may be appropriate to frame the analysis in terms of implementation resources and requirements, which in

many cases may dictate two buckets (large and small). Much like data preparation, framing an analysis requires both art and science.

There are numerous ways to frame a segmentation system, the most common frameworks utilise size class. Frames should be defined by what makes statistical sense (in terms of sample size) and in terms of how an organisation 'views the world.' For example, the small business group of a commercial bank, which may define small businesses as those businesses with less than $5 million in sales revenue, might want to view the world in terms of the critical lifestages of a small business. The theory here is that a start-up business has very different needs to a more established business, and also to a business that might be considered mature (7+ years). As a footnote, the age of the business can be determined by the date it first appeared in the infoUSA and/or D&B databases (for example). It's not a perfect figure, but it's a good estimate. Figure 2 demonstrates a matrix defined by three lifestage definitions and three sales range definitions.

Every customer in the analysis dataset would fall somewhere in the matrix. Similarly, every business in the universe dataset would also be divided into the same nine buckets in order to perform basic penetration analysis within the buckets (illustrated later in this paper). Notice that a business' sales revenue, rather than the number of employees, defines the size of a business in this example. While the number of employees is a more reliable figure to work with, it may not play into how an organisation views its world. A manufacturer of office supplies might view its world in terms of number of employees. Banks tend to think in terms of dollars. While the framing may take many forms, the multipliers will always

Lifestage of business

	0–3 years	4–6 years	7+ years
< $1 million			
$1–$5 million			
> $5 million			

Figure 2: Framing example

be defined in terms of the number of employees or the value per employee.

A footnote about framing: because segmentation is developed within each bucket, it is important to limit the number of buckets when defining a framework. In this example, having nine buckets implies nine different segmentation schema. That may be satisfactory depending upon implementation goals and resources. It is also important to note that the larger the matrix, the larger the required analysis dataset must be in terms of sample size, so as to fill up the buckets with a sample large enough to be analysed for segmentation development.

Another popular framing technique is to define buckets based upon demand potential rather than size class. The buckets can be created by analysing the analysis dataset at the two-digit SIC code level and creating demand multipliers for each two-digit SIC code. This is done at the two-digit level because sample sizes are greatest here. The analysis dataset (the existing customers) for all two-digit data would be summarised in terms of the total value of an appropriate volumetric figure, such as donations, advertising sales, premiums, loan balances etc, divided by the total number of employees at all those businesses within the analysis dataset. These multipliers would then be applied to all the business establishments in both the analysis and universe datasets to determine a 'high-level' unadjusted potential demand estimate for all businesses (both customers and prospects).

By sorting the analysis dataset from high to low, the entire file can be partitioned into three even (or logical) buckets. The break points that separate a high- from a medium- from a low potential business are then applied to the universe dataset. While the analysis dataset has a relatively equal number of business establishments in each bucket, the universe dataset plays out in more of a pyramid structure, with a small number of high-demand, a larger number of medium-demand and an even larger number of low-demand businesses. By doing this, the framework defines meaningful buckets based not upon size class but rather on demand potential. In this way, an existing customer with low
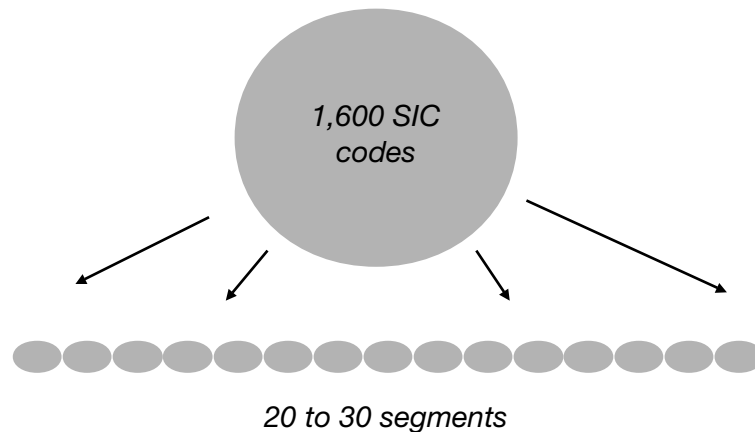
1,600 SIC codes

20 to 30 segments

Figure 3: Segmentation

value may actually fall into a high–demand bucket, which would indicate that this customer has a large unrealised potential. Their actual value is low, but their potential value is high. This type of framing offers great insights into new sales opportunities. Framing, with all its nuances, should be addressed up front during the goals and objectives stage of the project.

Developing a small and manageable number of 'meaningful' business segments

Once the data has been prepared, matched and audited and the buckets have been determined, the analyst is ready to build segments. The technique used to create segments is a method of data reduction that groups businesses based upon customer penetration. The process begins at the most discreet level possible, the six-digit SIC Code.[1] Realise that at the six-digit SIC code level there are over 1,600 classifications. It is necessary to summarise the analysis dataset into a smaller and more manageable number of meaningful segments (see Figure 3). To do this, a minimum level of penetration is required before deeming a segment a segment.

The author recommends a 1 per cent penetration minimum, although that is somewhat arbitrary. Specifically, there must be at least a one per cent concentration of customers (relative to all customers) in a specific SIC code before deeming that segment a segment.

Assume a customer file of 1,000 records. In this example the 1 per cent rule would dictate at least ten customers. Starting at the six–digit level, the analysis dataset would be explored. So, for example, if within the six-digit SIC code 'General Contractors of Single Family Homes' there are three customers, then that would not be enough to qualify as a segment. Moving on to the next six-digit code, 'General Contractors of Residential Buildings, Other Than Single-Family', assume there are five customers — still not enough. Moving on to the next six-digit SIC code, 'General Contractors, Industrial Buildings and Warehouses', assume four customers, still not enough. So the iterative process continues, starting at the six-digit level, and working up to the four-digit level, on to the three-digit and then two-digit levels until 100 per cent of the analysis dataset is explained. The process will yield roughly 20 to 30 segments. If 20–30 is too many for an organisation,

Table 3: Penetration report

Segment	Analysis (current customer)	Analysis % composition	Universe count	Base % composition	% Penetration	Index
H1	1,845	5.88	664,590	5.50	0.28	107
H2	645	2.06	587,410	4.86	0.11	42
H3	758	2.42	628,457	5.20	0.12	47
H4	1,294	4.13	828,439	6.85	0.16	60
H5	2,583	8.24	394,832	3.27	0.65	252
H6	1,097	3.50	619,482	5.12	0.18	68
H7	1,496	4.77	483,942	4.00	0.31	119
H8	582	1.86	302,398	2.50	0.19	74
H9	3,240	10.33	1,092,837	9.04	0.30	114
H10	628	2.00	188,345	1.56	0.33	129
H11	2,945	9.39	1,272,934	10.53	0.23	89
H12	1,492	4.76	438,945	3.63	0.34	131
H13	2,194	7.00	830,987	6.87	0.26	102
H14	754	2.40	204,982	1.70	0.37	142
H15	3,284	10.47	1,623,495	13.43	0.20	78
H16	1,048	3.34	434,829	3.60	0.24	93
H17	945	3.01	225,829	1.87	0.42	161
H18	2,496	7.96	628,450	5.20	0.40	153
H19	1,046	3.34	407,692	3.37	0.26	99
H20	982	3.13	232,978	1.93	0.42	163
	31,354	100.00	12,091,853	100.00	7.65	100

then the analyst needs to raise the 1 per cent rule to 1.5 per cent or 2 per cent. Typically, 20–30 segments are considered desirable.

This is a somewhat simplified example. In actual practice, the three six-digit SIC codes from the example above would be considered together (as a range, because they are similar in nature) and thus exceed the required 1 per cent penetration rule of ten customers and qualify as a valid and meaningful segment.

It is not wise to develop segments by product or service, but rather to study behaviours within the segments via profile development. The whole idea of segmentation is to simplify. If you have three buckets and 20–30 segments per bucket, you may already have your hands full. The discussion below explores profile development on the total customer file, but it is important to understand that this can be done by product as well. For example, an insurance company may want to

construct segments based upon its total group benefits programme. Then, once those segments are created, it can look at participation within each segment for product lines such as dental, short- and long-term disability, life etc.

Profile development: Understanding penetration and value by segment

Similar to the size class audit and penetration report in Table 2, this next analysis studies, by bucket and by segment, customer concentration versus the number of businesses in the universe dataset. Table 3 illustrates how to calculate simple penetration rates and indices. Consider, for example, a segment H5 (high bucket — larger businesses, segment 5). In this example, the analysis dataset shows 2,583 existing customers representing 8.24 per cent of all customers in the analysis dataset. This is compared to a total of 394,832 total businesses in the universe dataset (in the same segment), which represent 3.27 per

Table 4: The multiplier

Segment	Analysis employees	Universe employees	% Penetration	Actual spend ($)	Actual spend/ analysis employees ($)	Adjusted actual spend/analysis employee ($)	Employee value index
M18	36	77	47	276,660.00	7,685.00	3,592.99	13,345
M7	16	293	5	70,473.00	4,404.56	240.52	893
M13	30	106	28	19,581.00	652.70	184.73	686
M6	21	152	14	23,707.00	1,128.90	155.97	579
M14	19	267	7	39,310.00	2,068.95	147.23	547
M10	29	151	19	21,403.00	738.03	141.74	526
M5	41	462	9	60,009.00	1,463.63	129.89	482
M27	20	439	5	43,608.00	2,180.40	99.33	369
M12	56	506	11	45,599.00	814.27	90.12	335
M11	21	186	11	14,488.00	689.90	77.89	289
M2	16	1351	1	103,883.00	6,492.69	76.89	286
M22	64	1272	5	83,284.00	1,301.31	65.47	243
M15	3	1099	6	65,183.00	1,034.65	59.31	220
M19	19	343	6	18,124.00	953.89	52.84	196
M20	47	1032	5	42,317.00	900.36	41.00	152
M26	196	991	20	36,548.00	186.47	36.88	137

cent of all businesses in the universe (the USA in this example). This organisation has a 0.65 per cent penetration rate of this segment and is 2.52 times more likely to attract this type of business as a customer relative to all customers. A penetration rate can be thought of as 'how well you have done with this segment' or, if one is a pragmatist, 'how hard you are going to have to work to get more customers in this segment'. The lower the penetration rate, the harder an organisation is going to have to work on its acquisition of businesses in this segment. Conversely, a high penetration rate indicates that an organisation does well with this segment and, theoretically, would not have to work as hard to attract more businesses.

Segmentation addresses the 'who', not the 'why.' Having said this, if an organisation wants to learn more about the why, segmentation offers a solid framework for organising future primary research. Interviewing a small number of businesses in a segment will provide strong directional information on 'why' (at an affordable cost).

The index can be thought of as a means to prioritise a segment for tactical targeting programmes. If an organisation has the budget to mail to one million business establishments, it would prioritise those names by mailing to all businesses in the highest indexing segment, then all businesses in the next highest indexing segment and so on. But actually, there's a better way to prioritise businesses for targeting. The best way to score lists is by using the multiplier.

The essence of the multiplier is to ask the question 'what is a single employee worth within a business segment?', hence it must be constructed at the employee level. In Table 4, a small market newspaper is analysing its advertisers. Consider segment M18 (medium bucket — medium-sized businesses, segment 18). In this example, there are 36 employees in segment M18 and 77 employees in the universe dataset (defined by the paper's total market coverage for readership). A simple penetration rate is captured by dividing 36 into 77. Total advertising dollars coming from the businesses in this segment are $276,660 or, spread across all advertisers, $7,685 per employee. Lastly, this number is adjusted by the expected hit rate, or the historical

BUS_ID	1364041
SALES_REGION	A
SEGMENT	H0
EXPECTED DOLLARS	$195,000
POTENTIAL DOLLARS	$273,000
BUSINESS_NAME	FLEESON & KITCH
ADDRESS	125 N MARKET ST
CITY	Wichita
STATE	Kansas
ZIP	67202
ZIP4	1792
COUNTY	Sedgwick County
PHONE	316-2677361
FAX	316-2671754
CONTACT	THOMAS D KITCH
TITLE	Partner
SIC_CODE	811100
SIC_DESC	Legal Services
NAICS_CODE	541110
NAICS_DESC	Offices of Lawyers
LATITUDE	37.686540
LONGITUDE	−97.337008
LOCAL_EMPL	70
LOC_TYPE	Single location

Figure 4: Scoring lists

employee penetration rate of 47 per cent to yield a multiplier of $3,592.99. The employee penetration rate is used here (rather than the establishment level penetration rate) because the analysis is at the employee level and using an establishment level penetration would treat all businesses in that segment the same (regardless of any size differences). Notice the comparative index in this example. It's quite large when compared to the other segments. Further examination of this file revealed this segment to be 'Agencies', which are typically small in terms of the number of employees and large in terms of how much money they spend on behalf of their clients (so the multiplier makes perfect sense here).

This type of analysis needs to be tailored for each organisation. For example, consider an insurance company that offers group benefit programmes to their customers. Because not all employees in a company are enrolled, the construction of a multiplier for an insurance company would need to take into account the total number of 'enrolled' employees versus total employees.

APPLICATIONS

Tactical

Multipliers can be used to score both lists and geographies. To score a list, each name on that list must be segment coded. Segment codes are determined solely by the SIC code and employee

Table 5 Scoring geographies

Zip code	Segment	No of employees	Multiplier — (dollars per employee) ($)	Potential (unadjusted) dollars ($)	Penetration rate (%)	Expected (adjusted) dollars ($)
60034	H1	3,984	5.97	23,779	43	10,225
60034	H2	3,294	2.96	9,766	54	5,274
60034	H3	2,984	4.58	13,677	76	10,394
60034	H4	1,094	4.14	4,528	53	2,400
60034	H5	1,783	15.37	27,411	47	12,883
:	:	:	:	:	:	:
60032	H1	3,219	5.97	19,213	43	8,262
60032	H2	2,761	2.96	8,186	54	4,420
60032	H3	2,893	4.58	13,259	76	10,077
60032	H4	1,801	4.14	7,455	53	3,951
60032	H5	1,003	15.37	15,420	47	7,247
:	:	:	:	:	:	:
61324	H1	2,983	5.97	17,805	43	7,656
61324	H2	1,973	2.96	5,849	54	3,159
61324	H3	1,983	4.58	9,089	76	6,907
61324	H4	1,043	4.14	4,317	53	2,288
61324	H5	589	15.37	9,055	47	4,256
:	:	:	:	:	:	:

count at each business establishment. Once segment codes have been appended to the list, the multipliers for each segment code must be applied to the file to develop demand estimates. In the example shown in Figure 4, there are 70 employees in segment H0. The potential dollars are the multiplier for this segment times the number of employees (unadjusted). The expected dollars are that same number adjusted by the penetration rate for that segment.

Implementation goals and objectives may dictate that names are sorted by territory and lists imported into a sales contact management system.

Multipliers can also be applied to geographies. The process is the same as scoring a list, but with summary level geographic statistics (illustrated in Table 5).

Strategic

Successful segmentation development opens the door to a wide variety of strategic applications. An organisation can talk, on a day-to-day basis, about their meaningful segments. Customer acquisition, retention and re-activation programmes can be developed and tracked. Sales resources and performance evaluations can be aligned along segmentation targets. The business segments provide an organisation with a baseline understanding of their customers and a consistent way to measure market-by-market performance. A common framework for ongoing analysis can be used to determine long-term growth plans (which segments are going to drive growth?). Communications strategies can be developed for key segments and ongoing primary research can be conducted within segments to determine best messaging and creative strategies. Sales territories can be properly balanced, staffing requirements can be optimised and fair quotas can be established.

Note

1 The Government SICs only exist up to the four-digit level. The six-digit levels are crafted by companies like infoUSA and Claritas to make them more meaningful for their clients.