Papers

Using structured processes and systems to help managers develop strategic segmentation

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ABSTRACT

An essential input for the successful implementation of every business fad, matrix guru, paper, course and initiative is a detailed understanding of customers[1] and how they segment. Customer segmentation, therefore, has a profound impact on business strategy and getting it right cannot be left to chance. But what is 'right'?

It is the contention of the authors that if 'segmentation' is how customers are represented in a market then segmentation has to have a customercentric focus. So, it is no longer how the company segments its market, it is how the customers segment in their market. And there is only one way customers segment, and that is according to how they maximise their purchase value.

Reviewing the literature reveals that most of the academic work in this domain is prescriptive, with virtually no pragmatic guidelines provided to enable managers to make sense of the confusing array of data and information available to them. So the authors undertook an extensive series of workshops across a wide range of businesses to determine whether a segmentation process existed.

There is such a process and it can be applied to both business-to-business and consumer markets.

The initial approach suggested by the authors when adopting their process is one which utilises information already held by or accessible to a company. For many companies this approach, on its own, has provided invaluable insights into their market. In numerous instances it has provided sufficiently robust conclusions for the outputs to have an immediate impact on a company's marketing activity. Once this initial approach has been exhausted companies can then review what external research may be required in order to either verify their own conclusions or fill in the information gaps revealed by the process.

The key components of the process uncovered by the authors is contained in this paper, a process which has been extensively adopted around the world. It should be noted, however, that by its very nature, obtaining a detailed insight into how customers segment takes time and this paper aims to provide an overview of how the process works. It is also presented in a format designed to utilise information al-

ready held by or accessible to a company.

Bringing this customercentric approach to market segmentation into discussions about business strategy has seen companies increase their market share, increase their margins and leave the competition both confused and some way behind. And that is without having to adopt the latest idea to hit the corporate in-tray.

SURELY MARKETING HAS MOVED ON. SEGMENTATION?

Whatever the latest management idea sweeping through organisations, be it customer relationship management (CRM) or e-commerce, to name just two, it will only deliver its promised benefits if it is implemented (or perhaps even rejected) when a customer perspective is included in its equation. Few businesses in the world, however, can truly regard each customer as an individual market for which they design a specific product, service, distribution channel and so on. The economics of true one-to-one marketing just do not stack up for the majority of businesses. At the same time, the days of being able to treat all customers as if they were a single entity looking for the same offer have long since disappeared. So there is no single e-commerce formula that will work across the market. Not all customers want e-commerce, and even those that do do not all want the same e-commerce formula.

To be successful, businesses have to view their markets as consisting of distinct customer groups, each with their own distinct set of requirements, and then deliver targeted offers to the customer groups they elect to serve. It may not be the latest idea to sweep the world of commerce, but customer segmentation is essential to commercial success, and that includes the successful implementation of today's latest management ideas and those ideas that may emerge tomorrow. If segmentation is done properly and thoroughly every fad, matrix, guru, paper, course and initiative can be assessed according to how it improves the company's ability to satisfy its selected customer segments.

It can be pictured as a bridge across a river, with the latest business idea being constructed by a company on one side of the bank and the customer segments constructing their part of the bridge on the other side of the bank. Both are reaching out to each other with the hope that somewhere on the way they will meet. Unfortunately, the customers have the upper hand because they will build their side of the bridge irrespective of how the company is building its side of the bridge. Now if the two sides do not exactly meet in the middle, the customers will just keep building until they find the right supplier. In the meantime, in order to satisfy their demands in the short term, the customers may add a temporary link to the company's bridge, but the customers will break it once their true needs are satisfied. This is why market segmentation is one of the oldest and most longstanding of all marketing processes.

True customer segmentation has such a profound impact on a business that getting it right cannot be left to chance. But what is 'right'? During the last 50 years, there have been a substantial number of different bases for segmentation proposed by the academic and practitioner community.

W. R. Smith is widely cited as providing the basis for the concept of market segmentation as it is applied today.[2] An overview of the literature on market segmentation underlines the view that markets and their segments are clusters of potential customers.[3,4] Wind summarises market segmentation as a proactive process (managers purposefully identify segments) involving the application of analytic techniques to identify these segments:[5]

> 'Realising the potential of market segmentation requires both managerial acceptance of the concept and an empirical segmentation study before segmentation can begin.'

The basic premise of market segmentation is that a heterogeneous group of customers can be grouped into homogeneous clusters or segments, each requiring different applications of the marketing mix to service their needs. The focus of research and discussion has, therefore, been concerned with the analytical approaches by which homogeneous clusters can be established from a heterogeneous sample:

> 'The largest problem is how to subdivide the market'.[6]

This emphasis on the analytic basis for segmentation has been widely applied to both consumer[7–10] and industrial markets.[11–16] Many of these studies postulate different possible bases for segmentation. For example, Lidstone's paper proposes a segmentation process based on usage.[17]

If 'segmentation', however, represents the customers in a market it clearly has to have a customercentric focus. So it is no longer how the company segments its market, it is how the customers segment in their market. And there is only one way customers segment, and that is according to how they maximise their purchase value. Therefore, a process that builds this picture from a customer standpoint is required but before deciding what such a process should look like, it is appropriate to list what is required from segmentation:

– there has to be a reasonable amount of certainty that the decision makers have been segmented
– there has to be a way of identifying which customers fall into which segment
– it is essential to understand what it is the customers in each segment are looking for
– it is important to be sure that there is sufficient business in each segment to justify putting together a distinct marketing strategy for each of the segments chosen to serve

– it is necessary to track how customers segment over time to ensure that changes in the market are captured.

This may sound straightforward, but to do it properly takes time, and money. So instead of investing heavily in the latest business idea, it would seem prudent to go back to basics and examine the marketplace in order to understand its behaviour better.

METHODOLOGY FOR DEVELOPING A STRUCTURED SYSTEM AND PROCESS FOR SEGMENTATION

The following structured approach is the result of a painstaking process of research into the practical difficulties that organisations experience in segmenting their markets.

A catholic review of the literature revealed that most of the academic work in this domain is prescriptive, with virtually no pragmatic guidelines provided to enable managers to make sense of the confusing array of data and information available to them.

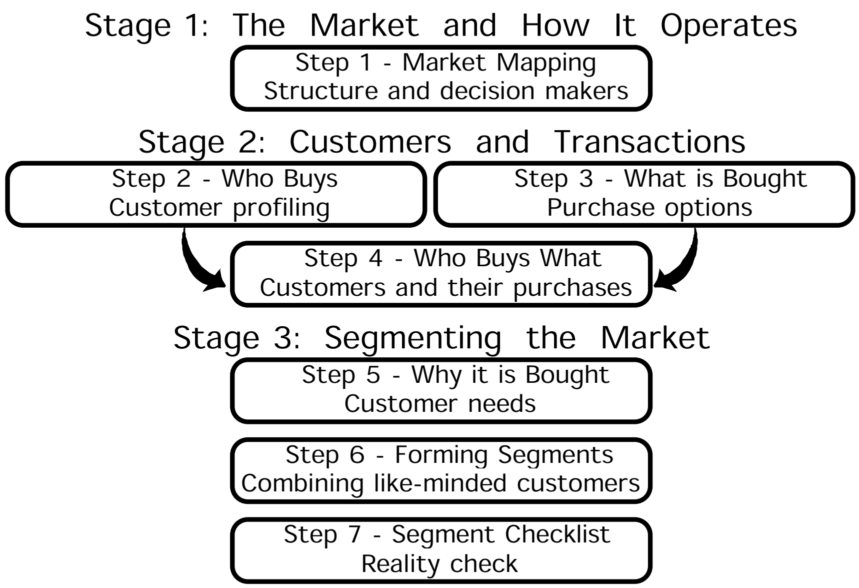
So, the authors developed a process, which was tested on some of the best known companies in the world. These studies took the form of process consultancy workshops with small groups consisting of multidisciplinary teams made up of senior representatives from marketing, sales, customer services, IT and finance departments. To test whether or not a universal process could be developed companies participating in these workshops came from business-to-business and consumer markets across a range of industrial sectors. Each workshop was carefully annotated and recorded and the methodology was refined as a result. After nearly 20 such workshops the process was refined to a stage where it was sufficiently robust to be able to share it with a wider audience. The result was the first edition of a book on segmentation, 'Market segmentation: A step-by-step approach to creating profitable market segments'.

Since its launch in 1995, the extensive adoption of this market segmentation process broadened the knowledge base substantially and enabled the process to be refined and the identification of where more detailed explanation was required. In particular, over 50 market segmentation studies were conducted in 12 countries for multinational organisations, including organisations in financial services, pharmaceuticals, drinks, manufacturing, communications, travel, postal services, office equipment and professional services. Once again, these studies covered both business-to-business and consumer markets. The result was the second edition of the book entitled, 'Market segmentation: How to do it: How to profit from it'.[18] This paper presents the key points of the process as detailed in this book.

The process consists of seven steps contained within three distinct but related stages and is summarised in Figure 1.

It should be noted at this stage that

Figure 1: The market segmentation process



the process is presented primarily in a format designed to utilise information already held by or accessible to a company, and this is the approach it is appropriate to adopt initially. Details of how to utilise this process if it is concluded that there is a requirement to undertake market research are contained throughout the book.

SEGMENTATION STEP BY STEP

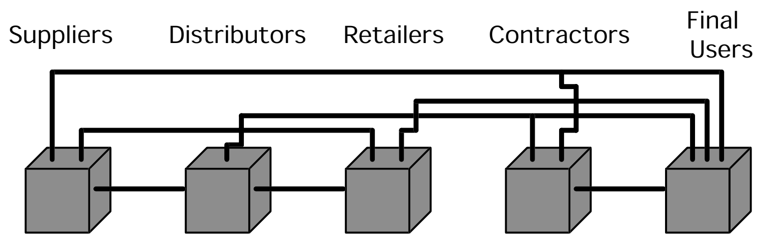
Stage 1: The market and how it operates

Step 1: Market mapping

This part of the process tackles the first requirement of segmentation which is to determine who are the decision makers. A prerequisite is, however, to define clearly the market about to be segmented. Based on the workshop and segmentation studies experiences, the following process was developed.

The general rule developed for 'market' definition is that it should be described in terms of a customer need in a way which covers the aggregation of all the alternative products or services customers regard as being capable of satisfying that need. For example, lunchtime hunger can be satisfied not only by the in-company caterer, but also by external restaurants, public houses, fast food specialists and sandwich bars. The in-company caterer must therefore consider

Figure 2: Starting a market map



Note: This market map consists of five stages, one each for suppliers, distributors, retailers, contractors and final users. This map illustrates that products are also acquired by the final users direct from the suppliers and the distributors, as well as from retailers and contractors. Some retailers also by-pass distributors and acquire their stocks direct from the suppliers.

these alternatives in understanding the market they are in rather than putting on the blinkers and deciding that their market is 'company catering'.

Once the definition is clear, it is essential that the market is mapped out in a way which illustrates where the decision makers are to be found, as it is these individuals whose needs must be understood and around whom the segments will be built.

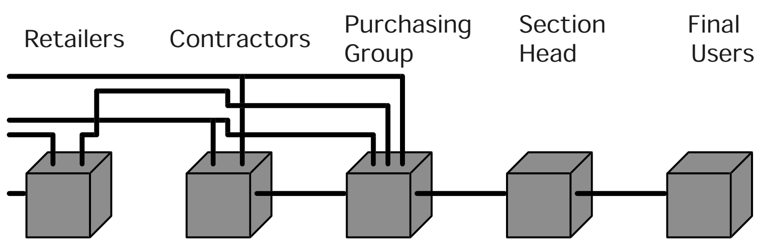
It is useful to start a market map by plotting the various stages that occur along the distribution and value added chain between the companies that supply products/services into the market and the final users. At the same time, the particular routes to market the products follow should be indicated, as not all of them will necessarily pass through all of these stages. An example of this starting point for market mapping is shown in Figure 2.

These transaction stages (represented by the cubes in Figure 2) are referred to as 'junctions', with each junction on a market map positioned hierarchically, according to how close it is to the final user. The last junction along the market map would, therefore, be the final user.

Ensuring the market map continues right the way through to the final user is also appropriate in those situations where final users have their products/services purchased for them, for example, by their company's purchasing department. In such instances, the market map would track products/services down the corridors of the business clients and continue beyond the purchasing department to the department(s) in which the final user(s) were found. This is illustrated in Figure 3.

A further refinement of the market map, particularly in business-to-business markets, could be the inclusion

Figure 3: Market map with final users 'hidden' from the suppliers



of purchasing procedures as a distinct junction to capture the fact that there is yet another hurdle to be surmounted between the suppliers and the final user. In Figure 3 this would probably be located between the purchasing group and the section heads, the purchasing group simply carrying out instructions, though they may, of course, be involved in the purchasing procedure.

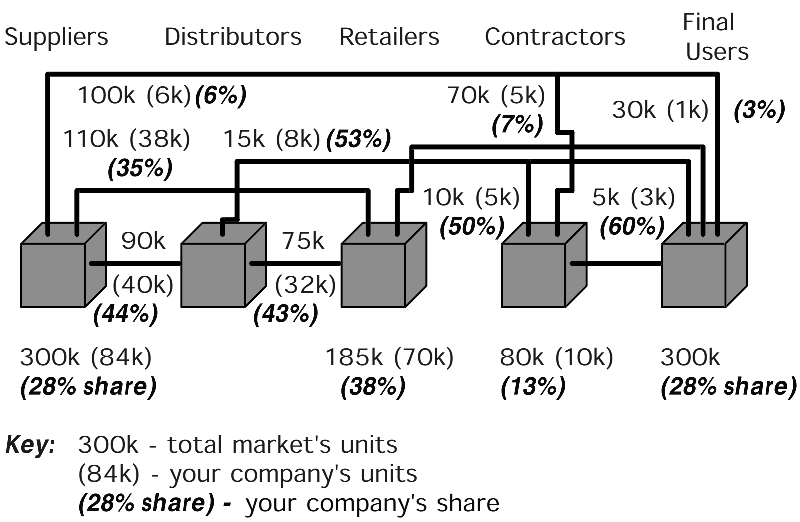
With quantification playing an important part later on in the segmentation process, it is useful to mark at each junction and along each route the volumes or values dealt with by each of them. In most cases the annual figures for the market would be used. Where figures are not available guesstimates should be made in order to scale the project. Also note the company's market share (again, guesstimate if necessary). This is illustrated in Figure 4.

Now that the market map is complete, the decision makers can be identified by highlighting on the market map the junctions where they are to be found. These are referred to as market leverage points and are where the next stages of the segmentation process will focus.

Figure 5 shows a completed market map for a business-to-business market served by a particular range of specialised technical equipment. The importance of tracking products/services down the corridors of business clients proved to be particularly important in this market. This map not only highlights the five groups of decision makers (highlighted by the arrows); it also attempts to illustrate what amount of the market their decisions control.

As an example of the value of this approach, it can be seen in Figure 5 that if a segmentation study were to focus entirely on the final users, decision making for nearly two-thirds of the market would be overlooked. It also illustrates at a very early stage in the study that a single approach to this market is unlikely to work. For example, decision making by technicians is unlikely to be along the same

Figure 4: Initial quantification of a market map



Note: The number of units entering a market usually equate to the number of units 'consumed' by the final users. Therefore, rather like the work of an accountant, it all 'balances'. In some markets, however, it is possible for intermediaries to both take product from suppliers and put together the product themselves. In these circumstances, the number of units in the market will increase along the distribution/value-added chain.

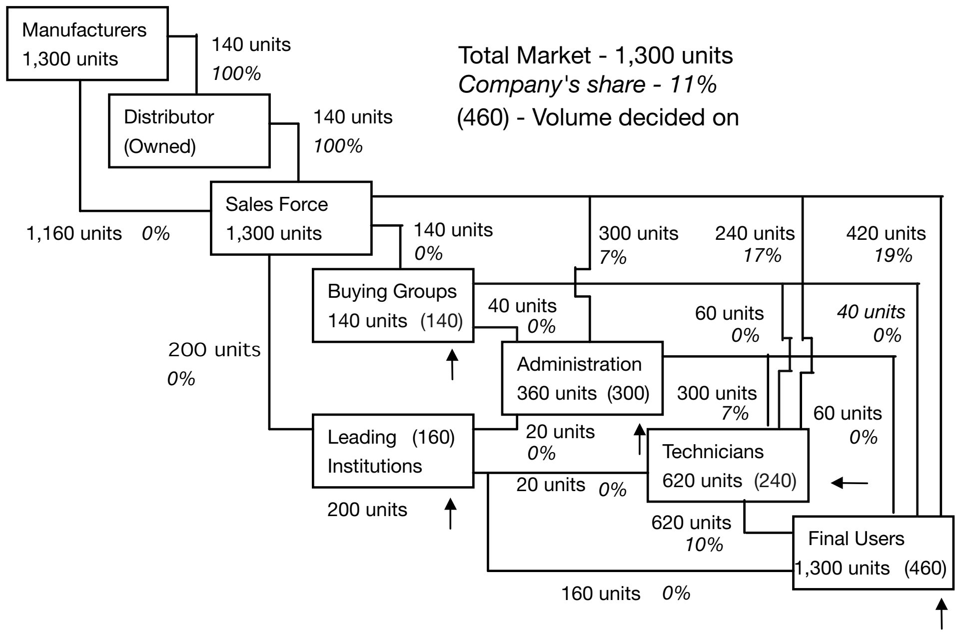
lines as decision making by administrators. Other useful insights can be obtained by presenting markets along these lines. For example, the company undertaking this project can now see that it is totally excluded from nearly a quarter of the decision making due to its complete lack of presence in the buying groups and leading institutions. In addition, by projecting this market map forward by five years the company in question realised that decision making was moving away from those with whom the company had a good share towards those with whom the company had a poor share.

Stage 2: Customers and transactions

Step 2: Who buys

A further essential requirement for successful segmentation is to be able to identify which customers fall into each of the concluding segments. Unfortunately however, it is not until the segmentation project has been concluded that it is possible to uncover what information about the customers helps distinguish one segment from another. This means that as much information about the decision makers in the selected market should be gathered as early as possible, but with

Figure 5: Market map example — specialised technical equipment



one proviso: selecting the information to record should be governed by its practical use in enabling the identification of the members of each concluding segment.

It is recorded at this early stage of the process because it may be possible to link it to information put together in later steps. For example, certain features identified in the next step and taken through to the subsequent step may be associated with specific types of customers.

Step 2 is also the opportunity to introduce into the process any current segmentation structures believed to exist in the market. This could well be the different decision types appearing on the market map. The nature of the process being followed, however, ensures that these pre-defined segments do not form a mould out of which emerge the concluding segments. So, although Figure 5 shows that the market it represents is structured around five different decision groups, adopting these groups as preliminary segments will not force the conclusion in any way.

Step 3: What is bought, where, when and how

The third item in the list of what is required from segmentation referred to the need to understand what it is the customers in each segment are looking for. The particular step in the process being described, along with the next two steps will progress towards this goal.

Customers express their requirements by the features on which they focus their decision making. The name given to these is key differentiating features (KDFs). These features could be found in what it is the customer is buying, in the channel through which they buy it, by when they want it or even by the different methods of payment they prefer. In most instances, the first two, namely what and where, are accountable for the bulk of a customer's decision making. By carefully understanding the KDFs of a market, the segmentation project is progressing in two ways:

– it provides the framework for the most crucial stage in the market segmentation process, namely, identifying the range of benefits being sought by the market (described later). Given that segments are based on groups of customers with similar requirements satisfied by a distinct marketing mix, this information is critical to the segmentation process
– it enables the building of a model of the market based on all the different purchase combinations that are known to take place within it, any of which could be reflecting a different customer requirement.

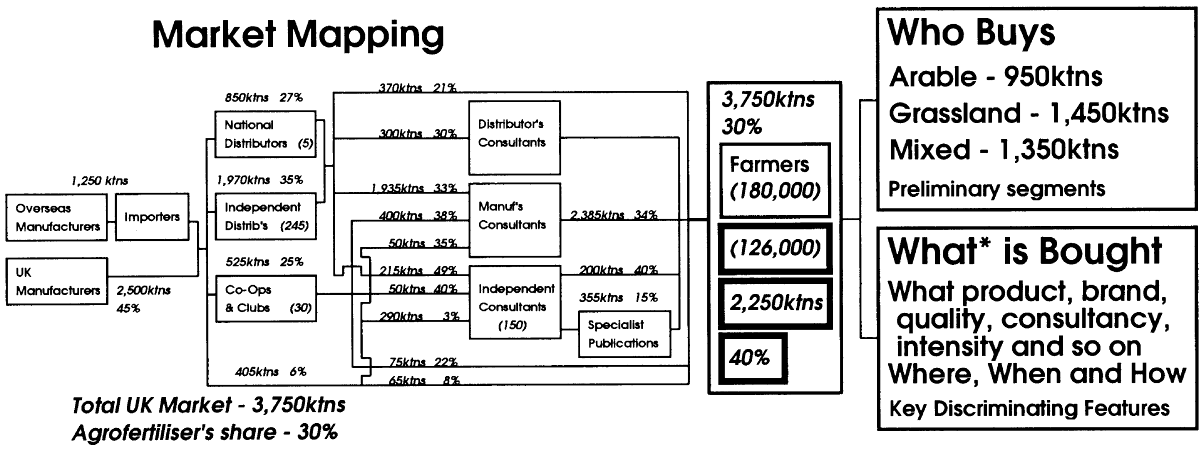
It is important to emphasise here that as this step provides the link with the needs-based buying requirements sought by the market (the benefits), it is essential that it is approached from the customer's perspective.

For some markets, the lists of different what, where, when and how factors can be quite extensive, but some simple rules can restrict these lists so that they do not lose their contribution to the segmentation process. A guiding principle is to maintain the customer's perspective, as customers tend to look at complex offers in far simpler terms than those of the suppliers.

The first 'rule' for restricting these lists is to remove from them all those features which are basic entry requirements to the nominated market for any supplier, sometimes referred to as 'market qualifiers' or 'hygiene factors'. These are the features which the users expect to have as a matter of course. Once one company introduces improvements to these features, however, the entry level requirement moves up to this higher level. For example, in the market for PCs the constant improvement in processor speeds simply moves the market up a further notch in terms of the customer's standard level of expectation. For a segmentation study, listing processor speeds for such a market is unnecessary.

A second 'rule' for restricting these lists is to focus only on those groups of features that have an important influence on the choice of product or service for any customer. For example, it is unlikely that the radio cassette built into a car has any great sway on a customer's choice of a new car.

Figure 6: The process of segmentation – Steps 1 to 3



A third 'rule' looks at merging separate features according to how customers categorise them and buy them. For example, breaking down retail outlets into specialist stores, department stores and so on may be irrelevant to the buying process if 'local store' is the pertinent description from the customer's perspective.

Once the features that are important to the customers in their decision making (the KDFs) have been identified the next stage of understanding what it is the customers are really looking for can be undertaken.

Figure 6 illustrates progress to date with the process. It is taken from an example in the agricultural sector and shows:

– the market map for this particular project with the final users, farmers in this case, identified as the decision makers — Step 1
– an initial segmentation structure for farmers which the company undertaking the project wanted to test — Step 2
– an overview of the features decision makers regarded as important when deciding between one supplier and another — Step 3.

It is interesting to note that the specific product for this project, fertilisers, was 'officially' declared to be a commodity. This 'commodity' status was found to be profoundly untrue once the customers in its market had been segmented following this process, and this discovery enabled the company in question to rediscover profitability in its market through differentiation and targeting.

Step 4: Who buys what

The main purposes of this step are to:

– construct a customer base for the market being segmented by using the information put together in the previous step
– link this customer base to the profiling information recorded in 'who buys'.

For companies segmenting their market initially by using data available from within, or easily accessible by, their company, the most logical way of building a representative model of their market is to record the different ways in which different customers in the market are known to put together the features identified in the previous step as KDFs.

As an example, take a company looking at segmenting the market served by the provision of temporary accommodation for workers at building sites. Some of the market's customers require just the basic shells, others require them to be fully furnished but with only basic furniture. Others in this market for temporary buildings want them to be furnished to a high specification and yet others want them not only to be furnished, but also serviced. By following this basic logic, a model of any market can be put together quite easily.

At the extreme, each of the KDF combinations could be reflecting a different requirement and, therefore, a different segment. The reality is, however, that these different combinations tend to focus upon satisfying a smaller range of core requirements. It is just that different customers often satisfy these core requirements with different features. Therefore, in order to arrive at a segmentation structure for the market, it is an important step in the process to list the different combinations known to occur in the market and then to understand them.

It is worth noting that in practical exercises it is usual to arrive at between 30 and 50 different purchase combinations, referred to as micro-segments in the process. When the number of micro-segments appears to be getting out of hand, the simplest check, and the one that tends to return the project to one that is manageable, is to conduct a reality check to ensure that each micro-segment truly represents a customer's actual behaviour in the market.

While putting together micro-segments, it is essential to add profiling information to each of them. This is first approached by seeing if any specific features can be linked as a whole to any particular profiling characteristic. This is then followed by attaching to each micro-segment profiling characteristics known to be associated with the buyer(s) identified as depicting that micro-segment.

For the segmentation projects which turn to market research in order to obtain a statistically sound sample of customers for their market, this process would regard each completed interview as a 'micro-segment'.

Stage 3: Segmenting the market

Step 5: Why it is bought

So far, the decision makers in the defined market have been focused on, the key features they use to differentiate between one offer and another have been identified, a picture of the market based on the different purchase combinations the decision makers put together has been built and information about who they are (their profile) has been attached to these micro-segments. It is now necessary to understand what are the real drivers for the micro-segments in their choice between different offers, in other words, their needs-based buying requirements. This will then satisfy the third requirement of a segmentation project.

The essential clues for understanding the real needs of the market have already been covered. Customers only seek out features regarded as key because of the benefit(s) these features are seen to offer them. The benefits linked to each KDF should, therefore, be listed. In addition, for some customers it is only by combining certain KDFs that they obtain the benefit(s) they seek. Benefits should also be looked at from this perspective.

In theory, arriving at the benefits should be straightforward, as selling the benefits, not the features, has been a rallying call for decades. In practice, however, some companies are unclear about the benefits their customers are looking for and stick rigidly to espousing the features as opposed to the benefits. To move forward in customer-based segmentation, it is clearly essential to uncover the benefits. It is important to spend as much time as necessary in compiling these benefit lists as they will be used to determine the segmentation structure of the market.

Past research and talking with representatives of the customer contact staff can be a useful first assessment of benefits. If the company also follows the practice of putting together lost sales reports, a review of these could also prove to be a useful source of information. It may, however, be necessary to commission some research specifically to uncover the real benefits being sought by the market.

An example of a benefits list appears in Table 1. This list is taken from the agricultural example mentioned earlier and is for just one of the preliminary segments identified in Step 2 of that particular project.

While running through the list of benefits and trying to uncover the real needs of customers, it is crucial to be alert to any possible unsatisfied needs manifesting themselves in the guise of something else, rather than accepting the status quo. For example, 'price' may be given as the sole or major criterion, but it could be hiding the fact that customers are currently dissatisfied with the present alternative offers available, as their real needs are not being met.

Once the list of benefits has been drawn up for the market, this can be used as a common framework against which one micro-segment can be compared with another. The principle

Table 1

BENEFITS LIST FOR A SELECTED PRELIMINARY SEGMENT

Feature groups	Features	Benefits
'What' — product	Ammonium nitrate and manufacturers' blends	Proven/traditional (reassurance) Healthy looking crop
	Ammonium nitrate and bespoke blends	Innovative/new Sophisticated
	Urea and bespoke blends	Innovative/new Sophisticated
'What' — intensity	High nitrogen level	Maximum growth and output
'What' — brand	Well established	Proven/traditional (reassurance) Service (qualified help) Also linked to high quality
	Any brand	No direct benefit as such, more related to not needing the above and, therefore, not needing to pay for it (price)
'What' — quality	High quality	Healthy looking crop Easy to handle
	Any quality	As for 'little known brands'

is to determine for each micro-segment how important each of the benefits are to them. An example appears in Table 2. It is once again taken from the agricultural project. This example has used the procedure of distributing a total score of 100 between the list of benefits for each micro-segment.

Step 6: Forming segments

With a representative picture of the market, and each customer now comparable with every other customer because they have all been assessed against a common framework, like-minded customers can be brought together to form clusters.

With a manageable number of micro-segments it is possible to carry this out manually. In most instances, however, the assistance of a suitable computer-based support package is required. A PC-based support package for this already exists. It is called 'Market segment master'.[19] It should be stressed, however, that progressing the segmentation project does not depend on the use of a PC-based support package. It is possible to carry

Table 2

BENEFITS SCORES FOR A SELECTION OF MICRO-SEGMENTS

Market CPIs	Micro-segments G1	G2	G3	G4	G5
Innovative/new	9	11	–	–	20
Proven/traditional (reassurance)	5	4	21	20	–
Healthy looking crop (includes grass)	27	24	–	–	–
Healthy looking animal stock	–	–	26	25	–
Sophisticated	–	–	–	–	5
Maximum crop growth and output	18	22	–	–	10
Easy to handle (quality)	16	15	9	8	–
Service (qualified help from manufacturer)	11	9	–	–	–
Distributor — convenient local supply	11	8	39	42	–
Price	3	7	5	5	65
Total	100	100	100	100	100

Key: 'G1', G2' and so on are the individual identifiers for the micro-segments, the 'G' indicating that they come from the Grassland preliminary segment.

out this key step manually, although a knowledge of statistical techniques would be essential.

Referring back to Table 2, it is possible to see how this very small selection of micro-segments would cluster. Micro-segments 1 and 2 are clearly very similar to each other and would therefore form one cluster. Micro-segments 3 and 4 are similar to each other, but different from the other three. Micro-segments 3 and 4 would therefore form another cluster. The final micro-segment in Table 1, micro-segment 5 is unlike any other in this small selection, and would therefore form a cluster all of its own.

It is worth noting that most markets split into between five and eight segments, though on some occasions they have concluded with nine or ten segments. Not all of these segments will, of course, be suited to the company carrying out the segmentation study and its particular strengths in the market, so it is not necessary to serve every segment that exists.

Step 7: Segment checklist

The fourth requirement from a segmentation project was that:

– it is necessary to be sure that there is sufficient business in each segment to justify putting together a distinct marketing strategy for each of the segments selected to be served

This is the first check for the concluding segments. It means, however, that each of the preceding steps will need to have been quantified during progress through the project. The procedures for doing this have not been detailed in this paper but are covered in the book.

Size is not everything, however, and other possible items suggested in the checklist process are as follows.

Differentiated: Is the offer required by each segment sufficiently different from that required by the other segments? This is where the marketing strategies appropriate for one segment are checked to ensure they are distinguishable from the marketing strategies developed for the other segments.

Reachable: This is where the different marketing strategies are checked to ensure that they can be directed towards their applicable segments. Each segment must therefore have a distinctive profile, for example:

– distinct television viewing, radio listening, newspaper or magazine reading profiles
– distinct characteristics which can classify them by who or what they are, such as socioeconomic group, type of company
– distinct characteristics which can classify them by a geographic area, such as postcodes
– distinct characteristics which can classify them by their purchasing preferences, such as purchasing patterns, distribution channels, distinct benefits sought, distinct response to prices.

This requirement was first mentioned in Step 2.

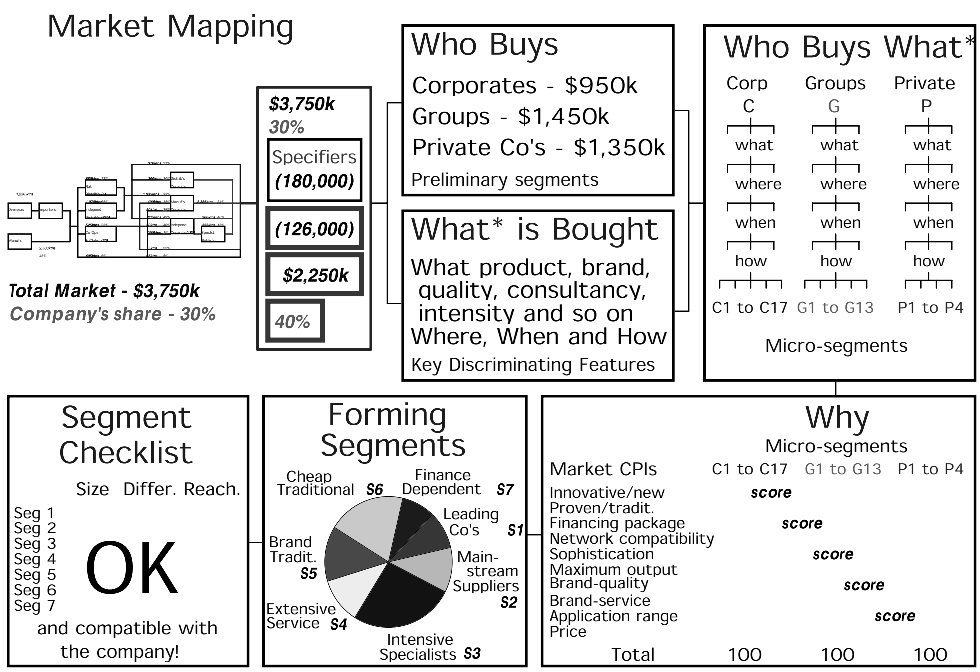
Once these items have been checked off there is one more test before launching the company into one or more segment-based strategies. It is probably the most testing item on the checklist, ie compatibility.

Compatibility: This is where the organisation rigorously checks its own ability to focus on the new segments by structuring itself around them organisationally, culturally, in its management information systems and in its decision-making processes. Such changes may not be possible immediately, therefore the organisation's ability to evolve to the required structure should be tested.

Most segmentation studies, such as those referred to above, take little or no account of organisational structure or capabilities.

The organisational aspect of segmentation is important for two reasons. First, at an implementation level, conventional frameworks for understanding segmentation tend to ignore the ability of an organisation to implement a marketing strategy within a particular segment. Wind provides a list of 12 key areas for future research, one of which is the relationship between organisational structure and the success

Figure 7: The market segmentation process



of implementing particular segmentation strategies.[20] Twenty-two years later this topic remains unexplored and researchers have tended to assume that the challenge in market segmentation is to find new analytic approaches to subdividing the market, rather than addressing the effective implementation of market segmentation.

Any organisation rigorously applying this process to arrive at segments is now ready to adopt any initiative such as e-commerce. It can be checked against the segments and which of the segments will respond to e-commerce can be determined, as can how e-commerce for each of these segments should be conducted.

TIME

Segments, however, do not stand still. They change, grow and decline over time and even new ones emerge. Segmentation is not something done today in the hope that it will remain the same forever. Hence the fifth and final requirement from segmentation:

– it is necessary to track how customers segment over time to ensure changes in the market are captured.

Experience gained from the fieldwork indicate that segmentation should be re-visited every two years, perhaps even more frequently for those markets which are evolving rapidly. If the company wants to deliver shareholder value consistently, and shareholder value after all only comes from retaining and acquiring profitable customers, then repeating segmentation projects in order to keep in touch with the market is essential.

CONCLUSION

A structured process for segmentation is essential, as it is not the easiest of marketing issues to address. It is also essential for any company wishing to succeed in its market and to remain successful.

There is, however, only one way in which a market segments, and that is according to how the customers in that market obtain value. Any process of segmentation must, therefore, ensure it builds itself around this essential requirement and the process outlined above, and presented again in Figure 7.

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