

Customer Segmentation

How to improve marketing and sales?

Difficulty

Work with an SME

- **Customer segmentation** (CS) divides customers based on common characteristics.
- CS is tailored for each product.
- CS improves marketing efforts.
- Market segmentation relates to the whole market, CS is your part of the market.

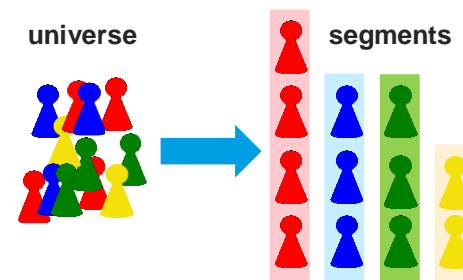
- Customer (or leads) data
- Market data & segmentation

Customer Segmentation Process

Customer segments

1. Review industry data and market analysis.
2. Examine your current customer base.
3. Choose a customer segmentation model.
4. Consider customer segmentation software – essential for very large data collections.
5. Collect customer experience data – both direct (e.g., surveys) and indirect (e.g., social listening).
6. Analyze customer experience data.
7. Refine your customer segments, and repeat.

Segment	Question addressed
Demographic	Who are your buyers?
Psychographic	Why are they buying?
Geographic	Where are your buyers?
Behavioral	How are they buying?
Benefit	What benefits entice your buyers?
Firmographic	What business types are buying?



Customer Segmentation – Example – 6in6 Consulting

Consider starting a Six Sigma consulting business based on 6in6 presentations.

What are the customer segments?

1. Industry data: there are many Six Sigma consulting groups, large and small (e.g., Bain & Company, KPMG, PwC). Presume we have determined the market size (e.g., engagements, dollars) and types of offerings (e.g., classes, seminars, contract work).
2. With no customers, the leads are: supporting non-profits, corporate hourly consulting on demand, teaching academic classes.

3.

Segment	Non-profits	Hourly work	Teaching
Demographic	Older	All ages	Younger
Psychographic	Teach skills they will apply themselves	Needed training and coaching	Baseline student learning, support student projects
Geographic – where to meet decision makers	At their regularly scheduled meetings	At conferences	Go to schools to meet the Dean

4. Skip SW. 5. & 6. Survey target audiences to find what they want/don't want:

<ul style="list-style-type: none"> • Cost sensitive • Any day/time works 	<ul style="list-style-type: none"> • Want focus in specific areas • Work regular hours 	<ul style="list-style-type: none"> • Want video presentations • Need to be available at all hours to help students
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7. Due to lack of specific experience:
- Drop corporate work (for now)
 - Segment non-profits by funding: low (local arts groups), high (museums)
 - Repeat analysis.

Customer Segmentation – Notes

Slide 1

1. CS helps to: improve marketing, identify new products, and improve customer experience.
2. Customer behaviors and needs aren't static, a CS needs to be refreshed appropriately.
3. Some products are for all (e.g., food), some are tied tightly to demographics (e.g., music).
4. Machine learning (ML) techniques (e.g., clustering) can identify similarities in customer data, to create a CS.
5. There are many segmentations. For example, where a customer is in an activities' lifecycle (e.g., buying for children or grandchildren).
6. CS helps understand market share: in insurance a business might get 100% of a customer's need (e.g., house, car, pet), a supermarkets likely gets less than 100%.

Slide 2

1. While CS is useful, it can be misleading for new capabilities/technologies where there are few existing customers.

Recommended web sites for more information

- <https://www.qualtrics.com/experience-management/brand/customer-segmentation/>
- <https://www.coursera.org/articles/customer-segmentation>