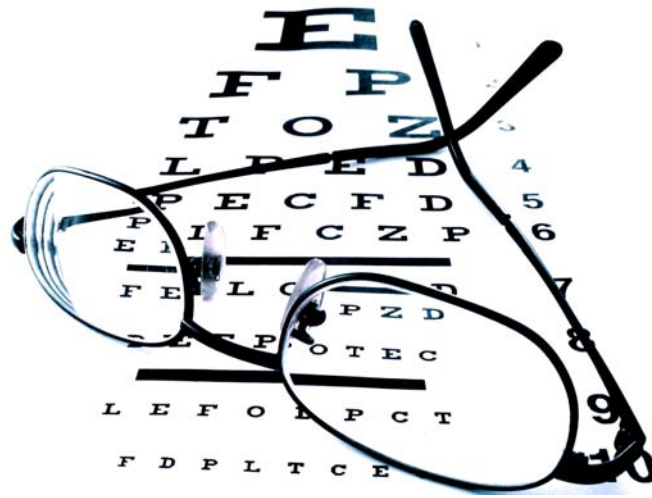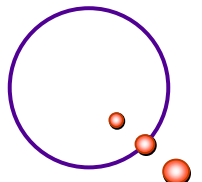# A 20/20 Look at Segmentation

3 Levels to Increase Your Focus and Maximize Profits

By: Steve Bassill, President, QDI Strategies, Inc.

A 20/20 Look at Segmentation
3 Levels to Increase Your Focus and Maximize Profits

Executive Summary

Do you have the vision you need to achieve success in the marketplace? The competition is tough. Before you take aim, take a 20/20 look at your current market segmentation strategy.
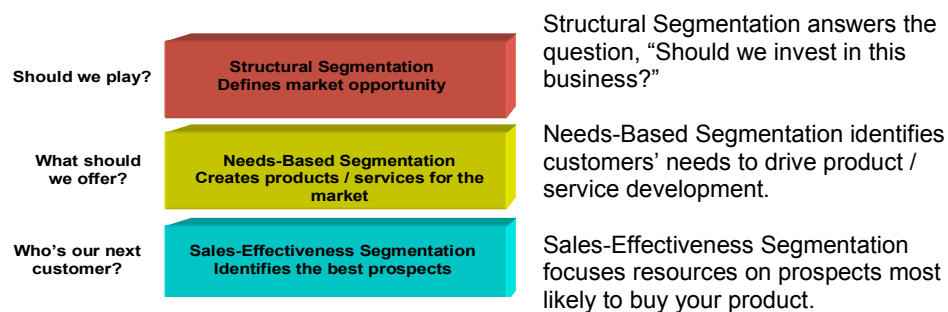
Is it near sighted or farsighted? Does your segmentation strategy begin by identifying a business opportunity and go all the way to customer adoption behavior or does it fall short? Does it start too late or stop too early? Are you trying to use the same segmentation approach for each decision set you make? Segmentation, when used on three critical levels, can drive sales and profitability. Each level of segmentation increases your customer insight. Perhaps you need a new pair of glasses to bring your segmentation strategy into sharper focus.
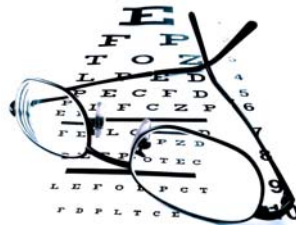
Glasses are a necessary tool to see more clearly. When you buy a pair, the optometrist starts with a basic lens and gradually increases the magnification until the lens suddenly brings the image into focus. How well you see with the first lens determines what sort of second lens you'll try and so on. When you use QDI's three levels of segmentation, each level increases the focus until you have total clarity of the market. Target groups that initially appeared homogenous look more distinctive. By asking the right questions, you see your markets more clearly and increase your odds for achieving success. Each level of segmentation answers a different business question as shown below:

- "Should we play?" is answered by Structural Segmentation
- "What should we offer?" is answered by Needs-Based Segmentation
- "Who's our next customer?" is answered by Sales-Effectiveness Segmentation

QDI'S 20/20 Segmentation

Should we play? — Structural Segmentation Defines market opportunity

Structural Segmentation answers the question, "Should we invest in this business?"

What should we offer? — Needs-Based Segmentation Creates products / services for the market

Needs-Based Segmentation identifies customers' needs to drive product / service development.

Who's our next customer? — Sales-Effectiveness Segmentation Identifies the best prospects

Sales-Effectiveness Segmentation focuses resources on prospects most likely to buy your product.

What are the consequences of inadequate segmentation? That depends on where your business is in its market life cycle. If you're deciding to enter a market, Structural Segmentation can help identify the markets that offer a higher than average return. Once you've made that evaluation, Needs-Based Segmentation drives your product and service development. Sales-Effectiveness Segmentation builds sales momentum by targeting hot prospects and those customers most likely to switch. Identifying segments and measuring their potential produces insights and opportunities that would otherwise be overlooked and avoids costs that would otherwise be spent chasing low-potential opportunities.
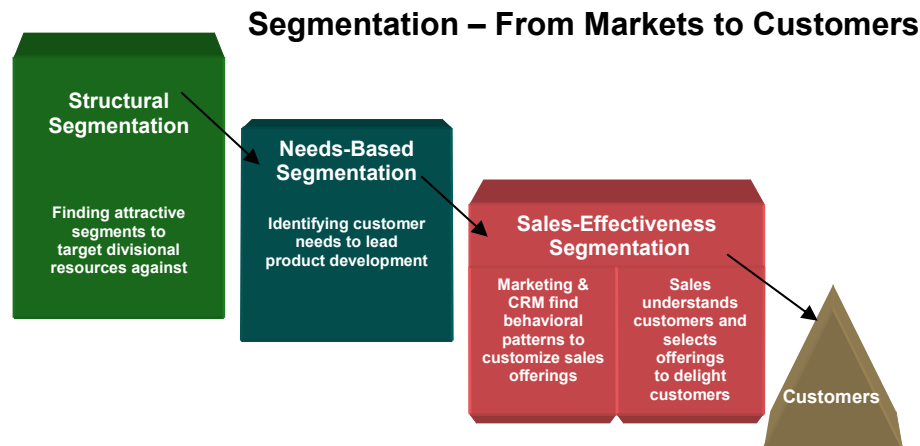
The following table demonstrates where and why to use each form of segmentation:

3 Levels of Segmentation to Increase your Focus and Maximize Profits

	Structural Segmentation	Needs-Based Segmentation	Sales-Effectiveness Segmentation
Segmentation Outcome	**Defines a Market Opportunity** How big is the market? How fast can it grow? Can we be a force in the Market? Should we invest?	**Identifies Customer Needs—Drives Product Development** What customer needs motivate buying behavior? Which needs can we convert to features and benefits?	**Identifies Buyer Behavior of Hot Prospects and Switchers – Drives Targeted Sales** Determines how you will distinctively craft the total value proposition to target and win the highest percentage of early prospects.
Decision Owner	**President / Board of Directors**	**General Manager / Vice President of Marketing**	**Vice President of Marketing / Vice President of Sales**
Economic Impact	**Six Figure + Decisions – often acquisitions** The cost goes up as the "newness of the market" increases.	**Returns That Can Double Industry Average** Superior performance results in industry leading products and programs. Poor performance will result in business / product failure.	**Successful New Products – Lower Marketing Costs by 50%** Short term: good launch targeting can turn potential losers into winners. Mid- to long-term: greater sales and marketing efficiency. Sales momentum can carry you to new markets.
When to Use	**To Answer the Question, "Can I Be Successful in This Business?"** Define business opportunities and the competitive market dynamics.	**To Develop Superior Products and Services for Your Customers and Channels** Understanding the customer's interactions with your product throughout its life provides insights into customer needs.	**To Ensure Product Launch Success** Targeting customers with a **high level of interest in** and **ability to buy** your product, increases sales force effectiveness. Valuable anytime sales effectiveness has slipped or is at risk.
Focuses On	**Understanding the Market** How big – how fast? Competition Channel Structure Market Power	**Product / Service Development Issues** Customer requirements Platforms Potential	**Selling Momentum** Crafting offerings, messages and channels to win hot prospects and switchers increases sales force effectiveness & is the key to achieving marketplace success.
Decisions Value	**Defines Long-Term Success** Focuses on resource decisions that will either determine potential for business success - or demonstrate a segment is not worth pursuing.	**Defines Your Market Advantage** This ultimately is measured by returns above or below the industry average.	**Defines Marketplace Success** Winning the hot prospects / switchers, builds sales momentum and overcomes the barriers that frequently stall new product sales.

By utilizing segmentation in all three of these dimensions, companies maximize their potential to increase sales and profits. However, each level of segmentation must be contingent upon the realities of the market. Don't fall into the trap of basing your segment strategy on information gained from flawed market understanding. While organizing what you know is an important step in segmentation planning, going into the market to validate what you know and learn what "ain't so" is also critical to the segmentation process.

The following graphic demonstrates how 20/20 Segmentation links QDI's three levels of Segmentation to create a laser focus on high potential customers.

Segmentation – From Markets to Customers

Structural Segmentation

Finding attractive segments to target divisional resources against

Needs-Based Segmentation

Identifying customer needs to lead product development

Sales-Effectiveness Segmentation

Marketing & CRM find behavioral patterns to customize sales offerings

Sales understands customers and selects offerings to delight customers

Customers

On the front end of the segmentation process Structural Segmentation identifies attractive customers to target. At the back end of the process – closest to the customer, the sales organization determines whom to offer specific augmented products and services, based on their understanding of specific customer scenarios.

The chart inserts CRM as part of Sales-Effectiveness Segmentation because CRM has the ability to bring marketing closer to the customer's behaviors and motivations. CRM allows marketing and sales to share information about customer behavior and motivation that can be structured into useful sales segmentation models.

Why should companies make the distinction between Structural, Needs-Based and Sales-Effectiveness Segmentation?

Efficiency and Effectiveness. Marketing and business strategists have the best perspective to examine Structural Segmentation because they have the ability to look at the market at a macro level. On the other hand, the sales force should evaluate Sales-Effectiveness Segmentation because they have the insight to look at individual customers and understand their nuances.

Needs-Based Segmentation focuses on developing the core product and service offerings. Its emphasis is on the usage of the product or service. The product development cycle requires concentrating on developing products that either have the best long-term potential or could become platforms for future products. As such, most resources are focused on determining product requirements. Understanding the nuances of competitive situations and unique sales scenarios is too limited an approach for this phase of decision-making. Development decisions focus on core and enhanced product offerings.

Sales-Effectiveness Segmentation looks at the customer's total value proposition. Value is not only the marketer's ability to solve the customer's "consumption problem" but the buyer's perception of the entire relationship to the consumption problem. By providing greater perceived value, a marketer will win in each sales scenario.

The following chart graphically demonstrates differences between Structural, Needs-Based and Sales-Effectiveness Segmentation. Structural Segmentation defines the market. In this case, the market our client has elected to serve is the steam energy consumption market. The Needs-Based Segmentation model examines the needs of high-volume, energy consumption scenarios.

Sharpen Your Focus to Achieve Success

Example for a Steam Solution Supplier
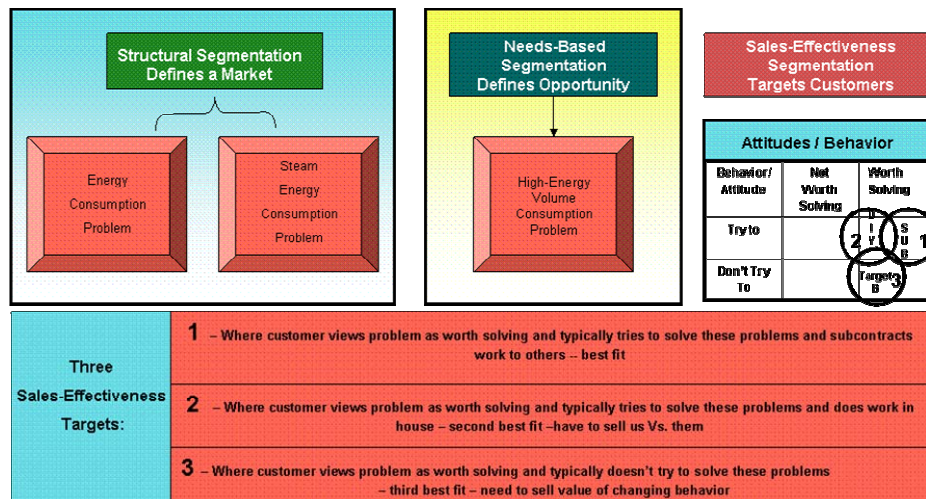
With this understanding, our client has developed products and services to reduce steam energy consumption for high-volume users. Sales-Effectiveness Segmentation requires taking the analysis to a more detailed level to define the most attractive customers.
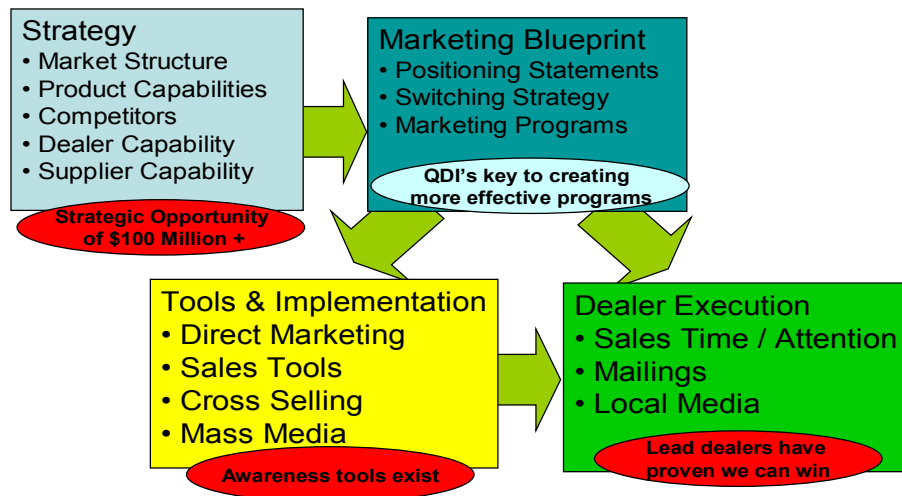
As the Attitudes/Behavior matrix shows, customers who believe the issue is worth solving and are presently investing resources to solve the problem are the best fit. Even within this segment, we can define a sub-segment who typically uses third-party resources to solve this type of problem. This becomes the best-fit target for our client because the primary offering is a service to assess, propose and install solutions to these types of energy problems.

Companies who have a "do it myself" attitude may be interested in solving the problem, but are looking for a solution they can implement themselves. These customers will require a different solution than that designed by our client, or our client will have to sell them on using an external resource to solve the problem.

The value of this analysis is that it equips the sales force with the insight to focus their efforts on customers who are more likely to buy than shop. It is not uncommon in new product / new market situations for customers to build their knowledge base by evaluating several possible options. However, customers often refrain from making purchases of significant volume for months or years.

These sales scenarios can drag on and may include an initial purchase of a trial unit. Sometimes customers request product modifications or engineering assistance to meet the needs of their particular application. Unfortunately, the outcome is a huge investment in sales and support resources, which may never be recouped. By using QDI's Go-To-Market Framework, companies can develop marketing strategies that are effective, efficient and generate significant growth.

QDI's Go-To Market Framework

Strategy
- Market Structure
- Product Capabilities
- Competitors
- Dealer Capability
- Supplier Capability

Strategic Opportunity of $100 Million +

Marketing Blueprint
- Positioning Statements
- Switching Strategy
- Marketing Programs

QDI's key to creating more effective programs

Tools & Implementation
- Direct Marketing
- Sales Tools
- Cross Selling
- Mass Media

Awareness tools exist

Dealer Execution
- Sales Time / Attention
- Mailings
- Local Media

Lead dealers have proven we can win

The framework starts with strategy – which is driven by Structural and Needs-Based Segmentation. Sales-Effectiveness Segmentation kicks in to develop a marketing blueprint. This blueprint defines the most effective switching and adoption strategy and translates the strategy into positioning statements and marketing programs.

The next step is to develop the tools the sales force needs including direct marketing support, cross-selling tools and media support.

The final step for most organizations is to deploy these programs on a local basis through local dealers or direct sales representatives. Deployment requires making sure the sales channel knows the tools exist and how to use them. Without this level of deployment support, the program can end up on the shelf or in a salesman's trunk!

As you can see, identifying segments and measuring their potential produces insights and opportunities that would otherwise be overlooked and avoids costs that would otherwise be spent chasing low-potential opportunities. We want to help you gain the knowledge you need to apply QDI's 20/20 segmentation strategy to your own business. The following white paper contains:

- Definitions of QDI's three levels of segmentation and how each level increases your focus to maximize profits
- Explanations of the dimensions or variables that should be considered in developing each level of segmentation
- Examples and case studies of segmentation strategies and their impact on business decisions

Level 1: Structural Segmentation – "Should we play?"

Structural Segmentation is segmentation for business planning. The purpose of Structural Segmentation is to identify markets that are attractive business opportunities and worthy of investment. For example, Caterpillar defines construction classes as market segments. The company organizes resources to penetrate markets such as: residential construction, heavy construction and forestry. Through Structural Segmentation, Caterpillar has determined these markets pose attractive business opportunities and require unique approaches.

Structural Segmentation defines the market in terms of:

- Customer groups by industry or application
- Customer groups by size or market potential
- Customer groups by channel source

Structural Segmentation enables a macro level resource deployment model that assigns resources to business opportunities. At the highest level, Structural Segmentation is designed to answer the question, "Should we be in this business?" At a market-focused level, Structural Segmentation provides a roadmap for allocating marketing resources including product development and sales and support resources based on revenue potential and industry group.

The matrix below highlights a simplistic macro-level segmentation for stainless steel pumps. It shows the percent of market potential that exists for each segment.

Customer Size / Industry Segment	Biotech	Pharmaceutical	Food	AG
Large	20%	25%	10%	5%
Medium	10%	15%	5%	-
Small	5%	-	5%	-

By linking this segmentation to applications, marketing management can prioritize resource allocations in product development and channel development. For example, looking at the matrix on the following page, one can see the opportunity by product application:

Application / Customer Segment	Biotech	Pharmaceutical	Food	AG
Application A	Large (20%)	Large (25%)		
Application B			Large (10%)	Large (5%)
Application C	Medium & Small (15%)	Medium (15%)	Medium and Small (10%)	

Forty-five percent of the market is in application "A," split across the biotech and pharmaceutical markets. Application "B" only fits 15% of the market and would be a low priority. Application "C" fits 40% of the market, 30% of which is comprised of biotech and pharmaceutical customers.

Thus, from a product development standpoint, investing in products for applications "A" and "C" makes sense. In addition, channels need to be developed to serve all three sizes of biotech and pharmaceutical customers.

This level of segmentation did not define the product and services necessary to meet the needs of applications "A" and "C." Instead it answers the following sets of questions:

- Identifies customers to whom you can provide something of value because of your unique capabilities:
    - Product design / engineering capability
    - Technologies
    - Production capability
    - Product offerings
    - Channel access
    - Relationships
    - Brand image
- Sizes the potential revenue stream from these customer segments:
    - Determines if they constitute a large enough market (or growth opportunity) to warrant the investment of resources
- Evaluates competition to determine if you can successfully compete for these customers:
    - Looks at the competitors' businesses from a "capabilities" standpoint
    - What type of resources can they bring to bear
    - Looks at the competitors' businesses from an interest standpoint
    - What level of resources are being focused on this business – indicates the competitor's commitment to these markets
- Looks at the market channels to determine if you have "unimpeded access":
    - Channels that can and will sell your products
    - Impediments would be competitive positions in the channels, poor customer or technology fits within the channels
- Defines go / no-go decisions to compete in a market segment, decisions that can be based on multiple criteria:
    - The potential profit to be gained
    - The learning that can be gained for future use
    - The opportunity to block competition
    - The available market leverage you can bring to bear

Market leverage is one of the key variables to address when developing growth strategies for your business. Market leverage is a measure of the strength of your position with your customers, channels and product lines. The greater your strength in one area, the more you can leverage another area.

For example, if you are a very strong product supplier to a key customer group of a channel, you have some potential leverage with that channel. You may be able to use that leverage to expand your position with the customer, in the channel or both.

There are two primary tools QDI suggests you use to review Structural Segmentation. The most familiar is Michael Porter's Five Forces Analysis of competition. This is taught in most business school programs; and we mention it here because it is quite useful when conducting Structural Segmentation. The "Porter analysis" examines the power customers and suppliers have relative to their competitors in an industry. It also looks at threats posed by new entrants and technologies. Finally, it analyzes the rivalry between existing competitors. The findings paint a picture of the overall attractiveness of an industry.
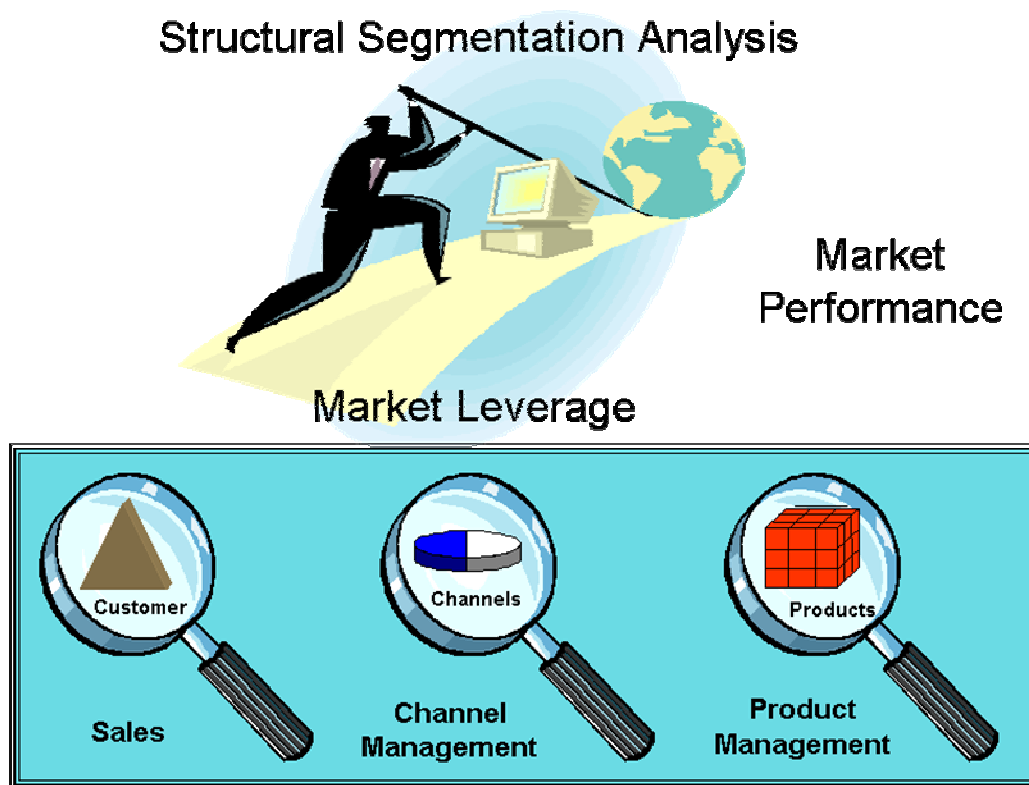
QDI builds on the Porter analysis by adding "Structural Segmentation." Structural Segmentation focuses on your strength with customers, channels, and product categories.

The greater your importance to your existing customers and channels, and the greater your strength in your existing product categories, the greater your ability to leverage your strengths to profitably grow your business.

We define your importance to your customers, channels and product categories as market power. Market power in this context refers to your ability to have the channels work with you to promote your product line and your ability to have customers collaborate with you to solve new problems in their businesses, including letting you extend your reach into new product categories.

QDI's Structural Segmentation Analysis views a marketplace through multiple "lenses" or perspectives to build a robust picture of a company's market position. Each lens identifies opportunities for growth. Each lens provides unique insights into the issues that drive profit and growth opportunities. Using the combination of all three lenses gives you focus and the power to leverage product-channel-customer alignment.


By having groups with different views of the market conduct this analysis, you can identify the differences in perspectives and market understanding within your own organization. This is the starting point for developing insights to grow your business.

The Product lens – an analysis conducted by product managers

–Viewing the market through a product lens identifies the different categories of products, your coverage by category, the channel mix by category and the customer mix by channel. Gaps in coverage could be opportunities to strengthen your position within a channel or key customer segment.

Product Lens
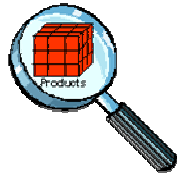
Product Mix
- What different product categories exist?
- Looks at product categories in terms of form, fit, function and price point

Channels
- What channels are your products sold through?
- What is your position in the channel's business – a primary, secondary or tertiary line?

Customers by Channel
- What customer segments use this product category?
- What channel serves each customer segment?
- What is your product's position in the customer's business?

Product Management's View of the Market

The channel lens – an analysis conducted by sales or channel managers

–Viewing the market through a channel lens identifies the different channel categories, the product mix, and your position in the product categories, the customer base and driving business issues.

Channel Lens

Channel Segments
- What different channel segments exist based on:
- Size, ownership structure, market role, product mix, expertise?
- What are your sales by channel?

Channel Position
- What is your position in each channel?
- Based on your position in the channel, do you get your fair share of the channel's marketing efforts?
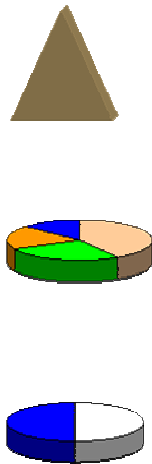
Customers by Channel
- What customer segments use this product category?
- What product mix does the customer use – how important are you as a supplier to the customer?

Channel Management's View of the Market

The customer lens – an analysis conducted by the field sales force

–Viewing the market through a customer perspective identifies what the customer buys, your position in the customer's purchase, the nature of the buy, why and where the customer buys and the issues the customer faces.
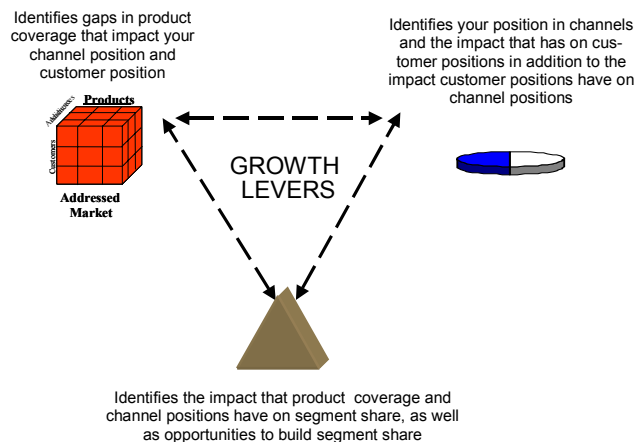
Customer Lens

Customer Segments
- What different customer segments exist?
- What products does each customer segment purchase?

Products
- What is the position of each product category in the customer's business in terms of importance and risk of switching?
- What is our position and why?

Channels
- What channels does each customer segment purchase from?
- What is the nature of the buying relationship with the channel – one-off – integrated supply – engineered buy – other?
- What is the relationship with the product manufacturer – strategic partnership – opportunistic – other?
- What is our relationship with each customer segment?

Sales View of the Market

This analysis, which is mapped out in QDI's "Structural Segmentation" software, requires three different groups to enter "independent" data. For the "product lens," product managers should paint a picture of the market based on their best understanding. For the "customer lens" the sales force should paint a picture of the market based on their viewpoint. A channel management group, if you have one or the sales people responsible for managing the channels, should complete the "channel lens" analysis. The value of each group building its own perspective is that you can compare the different viewpoints and explore why those differences exist. By measuring your market power, you identify areas to leverage your strengths and grow your business

Identify the Leverage for Growth

Identifies gaps in product coverage that impact your channel position and customer position

Identifies your position in channels and the impact that has on customer positions in addition to the impact customer positions have on channel positions

GROWTH LEVERS

Identifies the impact that product coverage and channel positions have on segment share, as well as opportunities to build segment share

Structural analysis can be used both tactically and strategically. Tactically, you can evaluate your market power in any specific territory by looking at the target customers and channels in that territory. QDI's Structural Segmentation Workbook takes a strategic view of your market in terms of customer and channel segments and product categories.

Your goal is to identify segments where you can leverage one or more power sources to build power in the third dimension. The Market Power Evaluation chart below graphically depicts the three dimensions of power and your impact on each dimension.
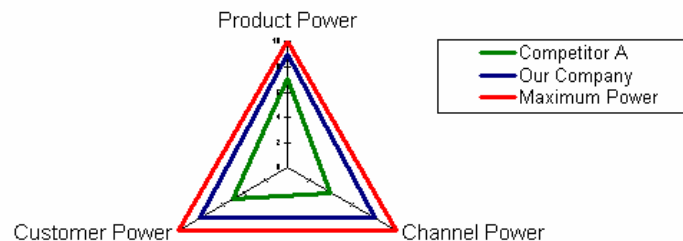
The higher your alignment scores for product power, channel power and customer power within a specific customer segment, the greater your profits and opportunity for future growth.

Having identified "target customers or segments," the organization then develops offerings – including product, service and communications – to leverage these competitively advantaged benefits. Structural Segmentation defines an attractive market, but it does not define the:

- Specific product / service you will bring to market

- Total value proposition you will offer customers

- Sub-segments who will not be attracted by your offering because they:
    - Implement different buying processes
    - Buy different value propositions

Needs-Based Segmentation addresses how to develop high-power market offerings. It takes segmentation to a more detailed level by honing in on the buying and usage behavior of each segment. For example, Needs-Based Segmentation would reveal large biotech and pharmaceutical plants are moving to corporate purchasing, whereas food and agricultural markets remain decentralized. In addition biotech and pharmaceutical buyers are more inclined to purchase skid solutions than the food and agriculture sectors. These factors answer the questions: "what should we offer?" by defining the "presence" and by the product "packaging or bundling" strategies.

Level 2: <u>Needs-Based Segmentation – "What Should We Offer?"</u>

Which came first the chicken or the egg? Many businesses make the mistake of thinking all you have to do is develop

exciting new products or services and customers will flock to purchase your new offering. Actually, properly identifying the prospective customer's needs should be the first step in developing a new product or service. The next step is to evaluate your core competencies and technology capability to see how they can be used to meet the customer's needs. The matching of the needs and benefits impacts, positively or negatively, the future success or failure of a new product or service.

Needs-Based Segmentation encompasses and extends beyond classical segmentation approaches and describes real differences in:

- What and why customers buy based on...
  –Underlying business needs
  –Environmental drivers
  –Benefits sought
- How they buy and use the product according to…
  –The buy scenario
  –Organizational behavior

Dimensions of Needs-Based Segmentation

The dimensions of Needs-Based / Sales-Effectiveness Segmentation include:

- Underlying business needs
  –Core technologies and processes
  –Microeconomics
  –Marketplace position
  –Corporate objectives
  –Buying strategies
- Environmental drivers
  –Macroeconomics
  –Regulation
  –Technology
  –Culture
  –Political climate
- Benefits sought
  –Relative value weighting (grouping customers by the product characteristic or behavioral requirement most important to them)
  –Competitive comparison (grouping customers based on how they view competitors)
- Organizational behavior
  –Decision-making-unit (DMU) composition
  –Power bases - e.g., who has reward power, coercive power, referral power, legitimate power, expert power, information power, departmental power
  –Roles- e.g., users, influencers, gatekeepers, approvers, killers, etc.
  –Conflict resolution mechanism
  –Organizational attitudes
    - Towards risk
    - Towards innovation

    –Organizational learning
- DMU member personal characteristics
  - –Demographics
  - –Decision style
  - –Risk attitudes
  - –Job responsibility

The segmentation process is a highly iterative process that is based on customer insight. It's imperative to investigate several segmentation variables and develop an understanding of the strategic implications of all the segmentation schemes that could result from each variable. Ultimately, it is an inductive process, moving from the specifics to the general. This is usually where most marketers fail. They are looking for a deductive process, moving from the general to the specifics.

The deductive process is the marketer's favorite because it zeroes in on three or four key themes, and he identifies data to support his hypothesis. The themes are usually based on the marketer's prior perceptions of the market, and therefore, do not force him to think outside the box.
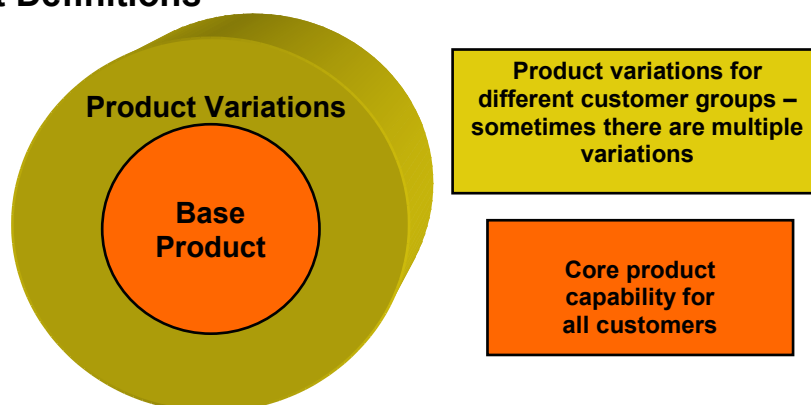
The inductive process works in the opposite direction. It starts from the vast variety of forces that are impacting the market to identify groups that will form segments requiring new strategies. The inductive approach forces change, and should be practiced regularly by management teams.

Needs-Based Segmentation focuses on identifying current and potential wants that exist within the market including:

- Needs satisfied by current offerings
- Needs current offerings fail to adequately meet
- Needs not yet recognized

Needs motivate buying behavior. Consumers must be able to perceive the product in terms of the satisfaction it delivers. This insight drives the development of the base product as well as product variations for different customer segments, which we show graphically below.

Product Definitions

Product Variations

Base Product

Product variations for different customer groups – sometimes there are multiple variations

Core product capability for all customers

We can provide product variation examples for low-tech, mid-tech, and high-tech products. Low-tech examples of product

variations can be found in ground engaging tools – such as the teeth that go on the buckets of wheel loaders or motor graders. Teeth are made from a variety of alloys and designed with different physical characteristics for each specific application. Thus, there are many types of teeth sold beyond the base product.

Mid-tech examples of product variation can be found in vinyl siding. Vinyl siding comes in multiple styles, colors, and thicknesses and is available with or without insulation. Each variation satisfies different customers' needs.

High-tech examples of product variation can be found in digital x-ray equipment. This equipment ranges from plates that directly transfer x-ray beams into digital images to plates that are handled like film and put into a "processor" translating the captured x-ray image into a digital picture. In addition, the products vary based on capacities and price points. Again, each variation targets specific market segments.

Customers purchase a total value proposition from suppliers, not just a product or service. To be successful, sales and marketing organizations have to effectively match each customer with the appropriate product variation and set of augmented services. The augmented services impact how the customer purchases, stores, handles and supports the products he buys.
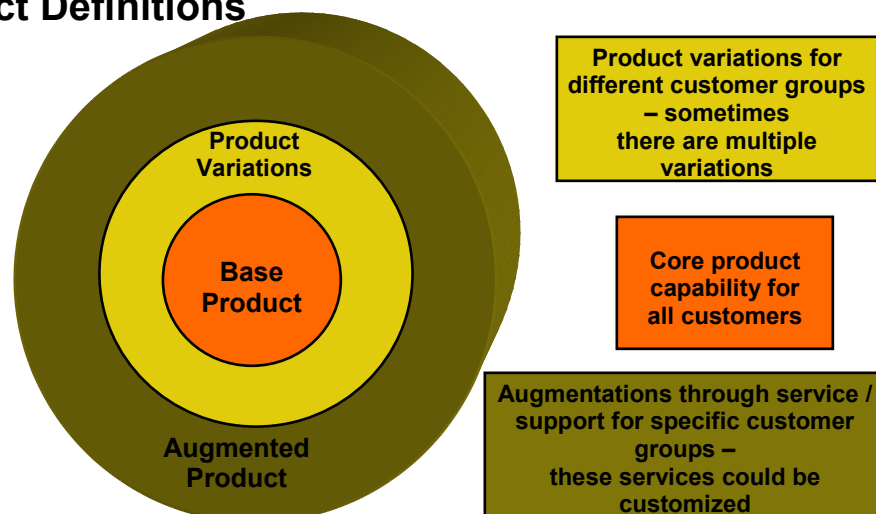
Again, we can look at low-tech, mid-tech and high-tech examples of augmentation. For example, in ground engaging tools, our low-tech example, several customers pick up product at their distributor while other customers have the distributor maintain inventory on their premises.

In the vinyl siding industry, some customers require job-site delivery while others are able to pick-up at the distributor. Customized colors are another product variation.

In the case of digital x-ray equipment, customers buy solutions, not x-ray equipment. Thus, many customers require their entire office to be set up digitally, which necessitates specialized software, networking and additional monitors and printers. Others, either because they already have a digital office, or don't need a digital office, simply require basic digital x-ray equipment.

In each of these examples, extra services define the augmented product as shown below.

Product Definitions

Product Variations

Base Product

Augmented Product

Product variations for different customer groups – sometimes there are multiple variations

Core product capability for all customers

Augmentations through service / support for specific customer groups – these services could be customized

Understanding Customer Needs

To develop base and augmented products for each market segment, we need to understand how a product or service impacts a customer throughout his total interaction with the product or service. By using the "Life Cycle of Interactions Model," you can identify customer need segments.

Life Cycle of Interactions
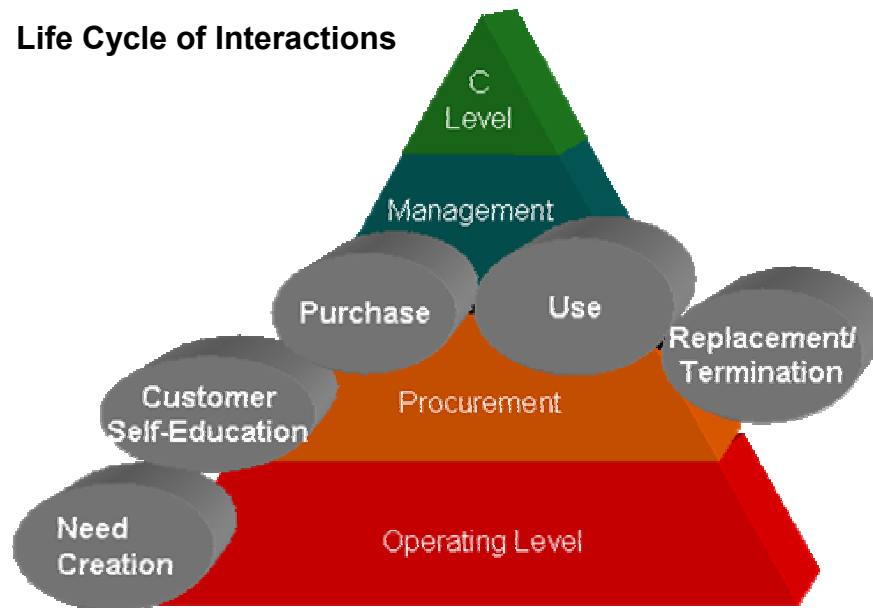
The "Life Cycle of Interactions" model looks at a customer's interactions with a product or service from the very first stage – needs creation – to the final stage when a product is terminated or replaced.

From each stage you learn about the customer. You learn the customers needs, behavior, feelings and thoughts. Additionally, applying the "Life Cycle of Interactions" model across an organization helps you understand your product's impact from the operating floor to the executive office.

This model illustrates the different types of interactions the customer experiences with a product or service. The model is designed to understand all the factors that define value.

As the following table illustrates, these elements are organized into Product / Service Drivers, Offering Drivers, and Go-To-Market Drivers:

"Life Cycle of Interactions" Product Development and Marketing Insights

Stage	Product / Service Drivers	Offering Drivers	Go-To-Market Drivers
Needs Creation	Product Application / Product Importance / Solution Urgency	Business / Emotional Need	Qualification Tools - Shoppers versus Buyers / Structure of Channels to Meet Customer Urgency
Education	Links between trial and purchase	Convenience / Confidence-Building / Risk Reduction	Customer Education Steps / Sources / Process
Purchase	Manufacturer Reputation / Availability / Special Considerations	Purchase Process Requirements / Terms / Financing / Trade-Ins / Etc.	Purchase Process Requirements / Terms / Financing
Use	Product Application	Product Ownership - Logistics and Materials Management / Training / Technical Support	Support Organization Requirements
Replacement / Termination	Product Replacement / Disposal / Safety	Tracking Requirements / Disposal Offerings	Waste Handling / Recycling Requirements

- **Product / Service Drivers.** Define the base product or service and the primary variations you will need to meet the needs of targeted customer groups. These drivers are based on the customer's use and replacement of a product. The specific application requirements drive the product performance requirements. They are also a function of the way the customer views his initial need or problem, particularly as the customer has specific emotional desires that have to be met.

- **Offering Drivers.** Define the augmented services different customers will require. These drivers are based on the customer's behavior and attitudes as they relate to the buying process and purchase of a product or service. In addition, offering drivers are a function of how the customer perceives his initial needs, product use and replacement.

- **Go-to Market Drivers.** Define the marketing requirements to support your product or service including customer awareness, customer education, channels and post-sales support requirements. Go-to-market drivers are based on the customer's education, buying and usage behaviors and feelings.

Each driver is important at each level within an organization from the user to the CEO. For example, when it comes to ground engaging tools, the operator is most concerned with the life of the tool – how long it lasts before it has to be replaced. The production manager's priority is the output in terms of tons per hour. Thus, he could accept a tool that has a shorter life span, but is more productive. The owner, or CEO, is responsible for overall operating costs. Therefore, he will want to know the impact the tool has on equipment operating costs in addition to productivity. A highly productive tool that destroys a machine's hydraulic system may not be as desirable as using a less productive tool that provides longer hydraulic life. At each level of an organization, it's important to understand the following:

- Why the customer thinks he needs the product?

- How he became educated about the product and learned about the alternatives?

- How he plans to purchase the product, including the customer's requirements for material and information handling and management?

- How he plans to use the product and the impact he sees the product having on the rest of his business?

- How he plans to replace or stop using the product and the requirements he has for tracking or disposal?

The answers to these questions help to define a customer's needs. Once a company has pinpointed the needs, it can create offerings to connect with target markets. The key to developing winning products and services is to offer products that:

- Meet customer needs as well as or better than any alternative.

- Leverage your unique skills and resources so you have a competitive advantage.

The following example explores customer needs for a product category and illustrates how understanding these needs enabled an organization to design a competitively advantaged segment strategy.

Before Armstrong World Industries made the decision to sell its carpet business, the company studied the market to identify segments to target for growth. To pinpoint potential customer segments, a research project was executed. Recent consumer purchasers of carpet were interviewed. The research explored each stage of the study group's life cycle interaction with carpeting.

Stages of Life Cycle Interaction
Armstrong Case study

Need Stage

In the first stage of the life cycle, consumers develop a need for the product. In the case of carpeting, purchasing a home or building a home might be a motivating factor or a major life event such as a wedding, anniversary or graduation could drive the purchase.

Research findings revealed the importance of style, durability and price were driven by the expected application and buyer demographics. The durability feature was also driven by the importance of life span to the consumer. For example, home sellers wanted good-looking carpeting and minimum durability at the lowest price point. On the other hand, homebuyers, and customers who expected to stay in their homes for an extended period of time, desired a more durable product.

Retailers reported they did not encounter customers with pre-conceived price goals. In addition, customers tended to talk in terms of broad price ranges rather than specific price points. For example a customer might say, "I expect to pay $10 to $15 per square yard" or "I expect to pay $30 to $40 per square yard."

Research also demonstrated there were a variety of decision makers. Usually it was the homeowner, often the female, but it was not unusual to have someone else involved in the decision process. In some instances, a professional designer would either provide input or be the key decision maker. In the case of new home construction, the builder might impact the

purchase decision.

Emotional needs were another consideration – especially among purchasers motivated by a major life event. These buyers were driven by the desire for perfection. Prospective buyers who lacked confidence in their design skills looked for emotional support in the form of positive reinforcement

Education Stage

Consumers engage in different activities to learn about and select a product. Basically there are three different types of shoppers:

- **<u>Researchers</u>** – consumers who do their home work … they turn to multiple sources, including consumer guides, to learn about product features

- **<u>Store buyers</u>** – rely on retail stores to educate them

- **<u>Price buyers</u>** – shop for the look and style they desire at the least expensive price point

The appearance of the carpeting was a primary driver for each segment. Customers had their minds set on specific colors and styles. Frequently needs were dictated by existing furniture and draperies. However, sometimes customers were trying to match a look they found in a magazine.

Customers linked quality to thickness. For a specific class of carpet, the thicker it was, the higher the level of perceived performance, particularly as it related to durability.

Purchase Stage

Most buyers went to retail carpet dealers where the store sales representative qualified them in terms of price point (how much they expected to pay) and style (what type of carpeting they wanted, i.e., Berber, shag, plush, etc.). The majority of buyers expected to have carpet installed by the retailer.

Usage Stage
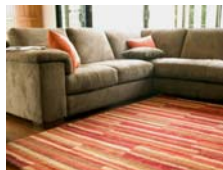
The room in the home where the carpeting would be installed was a factor in the selection process. The highest quality / priced product was frequently picked for the most important room, usually the living room. A less expensive product was often chosen for less public spaces. For a child's bedroom or a high-traffic area, the customer frequently sacrificed appearance for durability. Some customers were much more conscious of durability and the measurement of durability – they wanted to understand what made a more durable product. Research also demonstrated a common need for all customers: stain resistance.

Replacement / Disposal Stage

Armstrong learned the primary driver to replace the old carpet was in fact the same reason the customer had to purchase new carpeting. In addition, the easier the supplier made disposing of the existing carpet, the more attractive his offering was to the customer.

Converting Features to Benefits

Armstrong's perception prior to this research was that people chose carpet based on style (i.e., Berber vs. shag), color, then on price / "quality" (where quality was "thickness"). Armstrong had made product development decisions based on their historic understanding of pricing. Thus, it targeted products to be equal in price to the competition at each price point.

This perception was both correct and incorrect. Customers did make decisions based on the color and style of carpet. However, from the research, Armstrong learned three insights that would become central to their new product development strategy:

- Customers did not expect to buy a product at a specific price point, but instead within a price band. Thus, Armstrong did not have to offer products at the same price point as the competition's products.
- There were customers in the market who would shop for the best carpet (as defined by durability).

Customers defined "best" as the most durable carpet within a specific thickness. They had been educated to believe "thick is better" and used this as the base paradigm for their purchasing decisions.

Armed with this new customer understanding, Armstrong examined its own capabilities to determine how it could create a competitive advantage. The design and weave of the carpet backing gave Armstrong its edge: long-lasting carpeting. Armstrong's proprietary technology enabled it to manufacture carpeting that was more durable. However, this difference in backing was intangible to the consumer while costing more to manufacture than traditional backing. Thus, historically Armstrong marketed thinner carpeting at the same price as the competitor's thicker carpet, with the promise that the Armstrong product would last longer.

This was an unsuccessful strategy for two primary reasons. First, it was counterintuitive to the customer's beliefs: how can thinner carpeting be better than thicker? Secondly, it was a complicated sale for the dealer. He had to sell a feature that was not visible to the consumer and a benefit (durability) that was not necessarily a need for all consumers.

Creating a Strategy

Using its newfound customer insight, Armstrong crafted a strategy that was consistent with consumer perceptions regarding thickness. Furthermore, Armstrong leveraged the fact that almost 15 percent of the customers were "researchers" – customers who went to several external sources to educate themselves regarding carpet quality. The new strategy was simple:

- For a particular style and thickness, Armstrong offered the highest quality carpet in the market at a price that made sense – a price at the high end of the customer's price band expectations. Thus, instead of offering a 1.5-inch thick carpet at $22 per yard, Armstrong promoted the industry's best 2-inch thick carpet at $25 per square yard.

Armstrong used multiple consumer education channels to reach the customers who would educate themselves including Armstrong's own customer response center, *Consumer Reports*, and editorials in consumer design journals.

By performing extensive market research to understand customer behavior, perceptions and attitudes, Armstrong was able to design value propositions targeted to sub-segments and successfully leverage its product's unique strengths. Other manufacturers can learn from the Armstrong model.

Consumers must be able to perceive the product in terms of the satisfaction it delivers. By identifying the customers' needs, marketers can successfully convert features to benefits. Once you've established the needs and benefits, you must increase your focus to target the prospects most likely to buy your product.

Level 3: Sales-Effectiveness Segmentation – "Who's Our Next Customer?"

Sales-Effectiveness Segmentation identifies the "triggers" that motivate customers to change their behavior. The types of changes include:

- The amount / type of product the customer buys (get them to buy more pumps or your pumps)
- The supplier the customer buys a specific type of product from (Brand A versus Brand B)
- The way the customer buys (move them from one segment to another – i.e., from centralized to decentralized buying, or from components to skids, or from products to services).

To identify the triggers, it's necessary to pinpoint what would motivate or force a customer to change behavior. Some of these triggers are obvious – economics and regulations. When economics is the trigger, the marketer may offer an economic incentive to influence the potential customer to change.

Sales-Effectiveness Segmentation focuses on identifying customers who are motivated to buy, versus customers who are only shopping. Segmenting customers based on behavioral and attitudinal triggers is the key to Sales-Effectiveness Segmentation.

The more focused the segmentation strategy, the better prepared the marketer and sales organization will be to effectively deal with the trigger issues that change customer behavior. This level of segmentation enables marketing to develop highly targeted communication channels and messages and prepares the sales force to address issues that will alter the customer's behavior.

Case Studies – Focused Segmentation
IBM: Technology in Search of a Market

"DARTS" was a code name given by IBM to their data radio project in the mid-1980s. IBM developed a nationwide data network with the ability to move all classes of internal data. In addition, IBM created a joint venture with Motorola to develop radio frequency data transmission capability.

By the mid 1980s, the data network and the transmission capability joined forces to form an application within field service. The Field Service Technicians (FSTs) were equipped with very small portable computers that had radio frequency communication capability with access to the nationwide IBM data network. This very successful technology venture gave the FSTs the ability to retrieve virtually any data they needed to efficiently and effectively service customers.

The DARTS group was formed to commercialize the technology. The team introduced the technology to many beta customers and received very positive responses. Based on this research, the project team projected a $2 billion market, defined the offering as a product (a small PC with RF communication capability), and developed a pricing scheme based on selling time on the nationwide network.

As the team began to develop a launch strategy, it needed to identify the applications and markets that were prime targets, how big these markets would be, and how fast customers would adopt the applications.   To do so, the team brought in an independent group to evaluate the beta sites. The researchers learned beta test customers had a wide range of perceptions about what they were testing, why they were testing it, and how the technology fit into their business.   These perceptions, which are shown below, varied from customer to customer and differed from the original suppositions the venture team had drawn.

Value of the Technology to the Segment

Segment	Value of Real-Time Data Access	Value of Real-Time Data Transmission	Value of the IBM Hardware Configuration	Alternatives
Warehousing	No accessing of data was going on - orders were batched or picked up when previous delivery was made	There was value to updating the inventory for items picked	None	Two-way radio and hardwired solutions were much less expensive
Remote sales and service	High value to view parts availability/ technical updates	Updating call reports and repair status allowed flexible scheduling of technicians	Minimal	
Remote data collection	No accessing was going on - just collection and transmission	Minimal value – no need for real-time updating of the data collected into the database, even though it was an interesting capability	None	PDA's that could collect data and download at night

In general, some customers evaluated the technology's fit in warehousing applications, some evaluated the technology for remote sales and service organizations, and some evaluated the technology for remote field data collection applications. Each group had different network and hardware requirements and different alternative technologies. So, instead of having a homogeneous market, IBM had a minimum of three major segments. Even within these segments, the value and ability to implement the IBM solution varied. As the table illustrates, three major application segments differed in terms of needs on four of the technology's performance dimensions.

The three segments all concurred: the hardware configuration they were testing would not meet their needs!

The remote field service application prospects valued the DART technology the most. They saw the benefit of their field technicians being able to access parts data and technical support information instantaneously on their computers in the field. However, even these customers were not ready to adopt the technology. The people who saw the value of the IBM nationwide data network didn't have the systems capability to integrate data to potential users within their organizations. The general reaction was, "This is great, but I can't use it now; and I am not sure it is worth the price IBM is charging. Plus, there are other alternatives available today that better meet my current needs."

In reality, every end-user required a substantially different hardware configuration. Unless IBM was willing to enter the custom hardware business, there was no standard hardware business for IBM to exploit.

By segmenting the market on its technology requirements, IBM saved millions of dollars. The project team determined the market would not be ready to adopt the benefits of "data" radio for approximately five years. Secondly, the business model IBM created would not work. Instead, a model based on the radio frequency network as the product was deemed to be most appropriate.

In the early 1990s, IBM and Motorola launched a joint venture called ARDIS. ARDIS is in the business of providing data-radio communication services to companies.

Maxitron : Excited By All, but Purchased By Few

Maxitron was another programmable logic controller (PLC) venture from the 1980s. Maxitron was the leader in a new technology called cell control. Cell control is the application of computer technology to PLCs at the factory floor level to enable the manufacturer to have real-time system control over several activities in a discreet process-manufacturing environment.

Basically, Maxitron was the first company to marry the brains of the personal computer with the functionality of a PLC. This was an exciting advance. Every company Maxitron approached was interested in the technology. GM actually built a plant based on Maxitron's cell control technology. Several other automotive OEMs asked Maxitron to modify the technology for them.

Unfortunately, these discussions were leading to substantial product development and engineering expenses, but few sales. Maxitron had to find a way to focus its sales efforts on people who would buy, not people who would ask for prototypes with different features – a cost, not a revenue enhancer.

Maxitron commissioned a research project to identify the hot prospects for its smart PLC product. Research findings across the manufacturing environment revealed a clear segmentation model that would work to Maxitron's advantage.

- Some, but still relatively few, discreet manufacturers had turned the management of the PLCs over to the process control group – away from the plant-engineering group.
- Many of the process control groups were already hooking up personal computers to their PLCs to get greater control over the factory floor.
- Discreet manufacturers who still had plant engineering manage the PLCs were not targets for Maxitron. While the product was of interest, there was no movement in these companies to try to create the capabilities that Maxitron's product offered. Chasing these companies would only educate customers who had no near-term need for the technology's benefits.

This segmentation model is an example of behavioral segmentation. From the outside, these two discreet manufacturing segments looked the same. They were not found in any one industry segment or geography. Instead, they were scattered across industries and geographies, but shared an organizational approach to factory control and were experimenting with different technologies in an effort to solve their control problems.

By piggybacking the efforts of this "advanced" PLC segment, Maxitron could jump-start its sales effort. Without this type of targeting, Maxitron would have continued to invest time and money attracting shoppers instead of buyers.

Case Study Conclusions

The IBM and Maxitron case studies illustrate the importance of taking segmentation to a more detailed level. IBM took segmentation to the application level examining four dimensions of technology performance. Maxitron took segmentation to the organizational behavior level. For IBM, the application level segmentation research findings revealed all three groups were enthusiastic about some dimension of the IBM solution. However, only one group was excited about all the dimensions of the solution (leaving out the hardware dimension). For Maxitron, application, or industry level segmentation would not have provided the information needed to evaluate their markets successfully.

These segmentation cases identified the triggers that would motivate prospects to become customers. In the IBM case, the field sales and service groups were the best target segments. Their trigger was linked to the customer's own internal capability to manage data and make it available in real time to the sales force. When these capabilities were in place, the customers could consider the IBM solution. Thus, IBM knew what it would have to undertake to prepare customers for this future technology.

In Maxitron's case, the trigger was process engineers who were experimenting with personal computers to increase plant performance. These prospects became the targets of Maxitron's sales and marketing efforts. When Maxitron could identify these customers, they could move them to adopt the Maxitron solution.

These case studies demonstrate why it's critical for the marketer to understand the behaviors, attitudes and perceptions that impact his customers' businesses: ultimately, they become the forces that trigger the purchase of a product or service.

Overall, the key to defining highly specific segments is to create a unique, valuable offering (value creation) and deliver the offering to those customers (value capture) in ways that are meaningful to the customers. If you can't deliver on both of these values, you don't have a successful segmentation strategy. And, the more your segmentation strategies result in value propositions that are "me-too" to the market, the higher your sales cost, the lower your close rate and ultimately, the lower your profits!

## How to Conduct Sales-Effectiveness Segmentation

In sales it can be hard to differentiate the buyers from the pretenders. Sales-Effectiveness Segmentation focuses on identifying hot prospects -- the customers who will most likely switch from a competitive product to your offering. You will pay a high price if you don't distinguish the pretenders from the buyers. The pretenders waste marketing and technical support resources and valuable sales time. You can avoid significant risks that might jeopardize your new product launch by identifying the hot prospects.

The dollars spent on pretenders tie up your valuable, and usually limited, selling resources. More importantly, the lack of sales momentum that results from chasing pretenders can frustrate your sales force and require the investment of additional funds to re-motivate the sales force.

We use the following model to identify hot prospects:

- Who needs your benefits?
    - What unique problem does this product solve and what benefits can this technology deliver?
    - Which companies have these types of problems and why?
    - How severe are these problems in different types of companies?
    - Can you map out your target markets based on the potential your product will deliver?
- Who are the hot prospects?
    - What are the barriers separating second-stage and late-adopters from the hot prospects?
        - Technology infrastructure
        - Position your offering has in a broader roll-out plan – timeline of the broader roll-out plan
        - Installed base
        - Risks to the company of testing the new product
        - Risks to the company of adopting the new product
    - What resources do hot prospects have that second stage and late adopters do not have?
        - Technical staffs to implement change
        - Formal evaluation and deployment processes
        - Champions
    - Can you identify the barriers to adoption and the resources that enable companies to overcome those barriers?
- What specific feature / performance do they require to accelerate adoption?
    - What are the unique needs of hot prospects?
        - Channel requirements
        - Product modifications
        - Guarantees

Filtering Identifies Hot Prospects
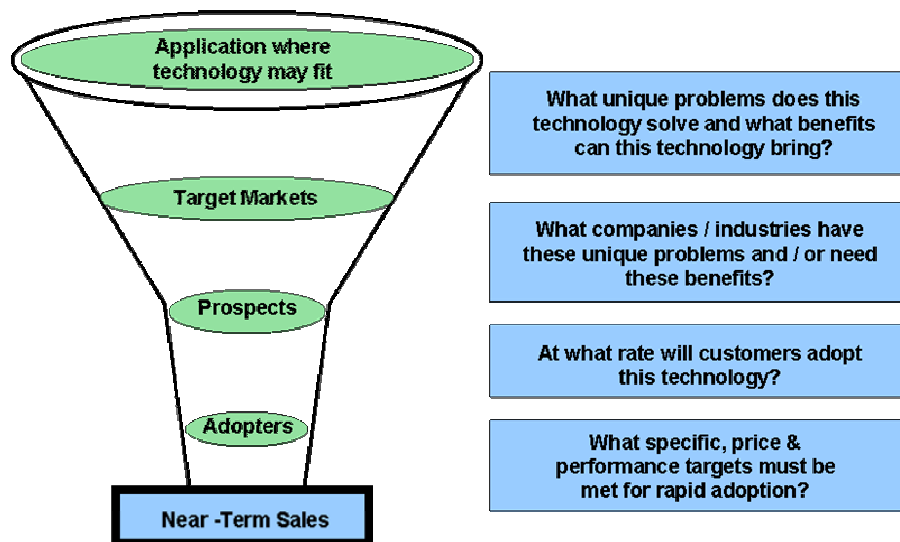
Can you identify these specific performance / feature needs to attract hot prospects? What is your process for targeting your new products?

- Have you developed a hot prospect segmentation model?

- Have you asked your sales force to identify who will buy this product?

- Have you asked your sales force to qualify why they think these customers will buy?

- Have you asked your sales force to identify barriers to adoption and facilitators of adoption?

- Have you identified champions of adoption in your "hot prospect accounts?"

- Have you identified adoption blockers in these target accounts?

- Have you mapped out the role of each channel member in bringing your message and product / service to the hot prospects?

- Do you have a feedback mechanism for rapid, early rollout learning and course correction?

Sales-Effectiveness Segmentation examines customer behavior and attitudes to target customers with specific product application needs. The fundamental application issue is the same across all customers in the segment and can be satisfied by the basic product offering.

Sales-Effectiveness Segmentation identifies behaviors and attitudes that are quite different for each group of customers. Each group has different perceptions, attitudes and behaviors regarding the product you are trying to market. Following are examples of the different audiences that might be targeted when bringing a product or service to market:

- Customers who already purchase this class of product from you

- Customers who currently purchase products from you but not this class of product

- Customers who purchase a competitive product of the same class

- Customers who have never purchased this class of product

- Customers who have had bad experiences with this class of product

- Customers who are pressured to make a change, thereby experimenting with this class of product

- Customers who are not currently considering making a change, but who will make a change if given the right economic incentive

Sales-Effectiveness Segmentation, which is often performed by marketing segment managers or field sales, looks at the following criteria:

- Behaviors
  - ◊ Buying behavior – how the customer makes purchase decisions; who is involved; what process steps they go through
  - ◊ Use behavior – how the customer uses the product / service
  - ◊ Service / maintenance behavior / replacement – how the customer maintains and replaces the product or service
- Motivations for behaviors:
  - ◊ Attitudes
    - The way the customer feels about the product category, a supplier or the problem they are facing
    - It's often very difficult to change people's attitudes
  - ◊ Values
    - The beliefs customers have about what is right and wrong and what is most important in life and in their business, which control their behavior
  - ◊ Perceptions
    - The customer's reaction (in terms of an opinion) to a sensory stimuli such as your offering or company image
      - This reaction is a result of your message relative to your offering and the individual's memory, in terms of his experience with or knowledge of your company and offering

A Sales Perspective on Segmentation

For sales, segmentation is a "one-off" proposition. Each customer has different sets of needs. It is the salesman's job to understand those needs and match them up with the company's augmented products and services in order to win business and keep satisfied customers.

The following graphic illustrates the customer segmentation role from the salesman's perspective:

Sales Efforts to Understand Customers

Customer

Salesman's Role

Develop a relationship with customers

Learn about customer needs

Learn about customer perceptions and attitudes

Offer the right augmented products and services

The challenge for sales is to make this an "effective and efficient" process. The more time sales take to match customer needs to the organization's augmented products, the higher the sales cost. The more marketing plans require sales to link customer needs with augmented services, the greater the training costs and the higher the likelihood mistakes will be made.

Thus, to help sales be as effective as possible, we need another approach to segmentation –Sales-Effectiveness Segmentation. Sales-Effectiveness Segmentation defines specific sales and marketing roles as shown below.

Marketing and Sales Segmentation Roles
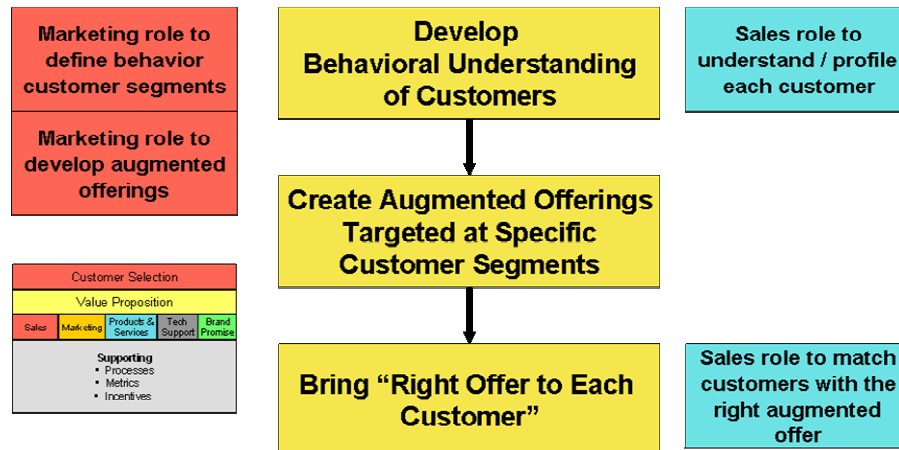
Sales-Effectiveness Segmentation can be viewed as segmentation for sales planning. Sales-Effectiveness Segmentation should identify customers who are the most promising.

- These will be sub-sets of the target customer segment.
  - ◊ There will be behavior or attitudinal differences between customers in the target segment. These differences necessitate augmenting the core product by creating highly differentiated offerings.
- Effective marketing programs will pre-define "augmented offers" that are targeted to specific sub-segments of customers, based on their attitudes and behaviors.

What's the fundamental driver of Sales-Effectiveness Segmentation? Highly targeted offerings and messages are essential to develop effective sales channels. Instead of making sales modify and customize its message for each situation, sales should be provided with a template of offerings for specific scenarios. The sales role becomes one of identifying the situation and then using the appropriate tool to win the sale.

As companies move to deploy more CRM tools, they try to assist the sales force by providing more packaged offerings for more diverse situations. This is the opposite of giving the sales person a menu and telling him to customize his offering for each customer based on the customer's needs. The more items on the menu, the harder it is for the sales person to maximize his offering – unless marketing has given him a blueprint that matches different offerings to different customer needs. Marketing can only do this if it has developed a Sales-Effectiveness Segmentation model.

As an example of Sales-Effectiveness Segmentation, customers with the same "energy consumption problem" can have different behaviors and motivations. Some of their behaviors will determine who may be interested in solving the problem, if anyone. Will plant management, maintenance or the CFO own the problem? Is this the type of problem the company consistently tries to solve or avoid (historic behaviors)?

What are their attitudes towards solving the problems? Do customers believe the solutions are real and meaningful or do they think the solutions simply move the problem from one place to another? Do they believe the problem can be solved? Is it a priority to solve the problem? Is there anything in the company's value set that indicates likelihood to solve the problem versus ignoring it?

All of these questions begin to segment buyers based on their ultimate probability to purchase a solution from the marketer.

Sales-Effectiveness Segmentation is all about identifying the best-fit customers and developing appropriate offerings to maximize value. Customer value goes beyond product. Customer value includes the services the customer receives, the relationships with the sales /service channel, the service from the channel, and the perception of the brand. In addition, customer value includes all the costs the customer incurs in buying and using a product including the purchase cost, adoption cost and risk cost.

QDI's value formula identifies the elements of value from the customer's perspective:

$$\text{Value} = \frac{\textbf{Benefits} \text{ (product, service, relationship, and brand)}}{\textbf{Cost} \text{ (purchase price, adoption and use cost, and risk)}}$$

The sales organization is closest to the customer and has the greatest ability to understand a specific customer's behaviors, attitudes, values and perceptions. However, it is unrealistic to ask each sales person to create customized offerings for each customer.

"Sales-Effectiveness Segmentation" can maximize revenues and profits by creating augmented offerings for specific customer groups based on their behaviors, values, attitudes and perceptions.

Test of a Quality Segmentation Scheme

Put your segmentation model to the test by answering the following questions:

–Is it meaningful – have you identified segments that if captured, will result in significant growth?

–Is it robust? If some dimensions of the data change, will the segment still exist?

–Is it explanatory (predictive) – does understanding the segment help you understand need and behavior?   If not, you do not have a usable segmentation strategy.

–Is it strategic – does it require you to make significant resource investments, or redeployments? If you can capture it by doing what you already do, it may not be strategic.

–Is it practical – do you have the resources, talent and time to capture the segment? If not, it may not be useful to you.

–Is it measurable? If you can't answer, "How big, how fast?" you won't know its value to you or the amount you should invest to capture it.

–Is it concise – is this a simple segmentation model – easy to understand and easy to reach? If not, it may be too complex for your organization to implement.

Segmentation is as much an art as a science. Science encourages you to perform research and set hypotheses. Art gives you the freedom to find the serendipity in your investigations. Discovering what you were not looking for is the essence of learning. When your segmentation develops schemes you had not considered, then you have moved into the realm of highly-effective marketing.

Evaluate Your Current Segment Strategy

Take a 20/20 look at your own planning processes. Do you have a segmentation strategy that goes all the way to customer adoption behavior or does it fall short? Does it start too late or stop too early? Or worse yet, do you use the same segmentation approach for each decision set you make? Use QDI's three levels of segmentation, and you'll be on track to drive up your revenue and profits. When the stakes are so high, don't you want to use segmentation to your best advantage? By utilizing segmentation in all three dimensions, you make more efficient use of your sales and marketing resources.

Each level of segmentation must be based on the realities of the market. Don't fall into the trap of basing your segment strategy on information gained from flawed market perceptions. Invest in QDI's proven segmentation planning research, and you'll discover how to successfully use segmentation to maximize your profits.

Who are we?

QDI Strategies is a marketing consulting firm dedicated to helping clients make critical strategic decisions to improve their company value and market share. Since 1991, we have helped leading commercial and industrial clients find, verify, and exploit new growth opportunities.

What can we do for you?

QDI offers levels of service tailored to meet your needs:

Workshops. Use the cost-effective 20/20 Market Segmentation Workshop as a springboard to develop a successful
    segment strategy plan. In our two-day workshop your sales and marketing team will discover how to build new,
    effective strategies to grow your market share. Learn QDI'S 20/20 Segmentation Strategy. By increasing your focus
    on three critical levels (Structural Segmentation, Needs-Based Segmentation and Sales-Effectiveness Segmentation),
    you'll make more efficient use of your sales and marketing resources.
Research. QDI offers regional, national and global market research. We turn research into understanding and create new
    insights to develop winning strategies.
Consulting. QDI's consultants bring the experience, market understanding and strategy tools to turn complex new
    products, changing customer needs or maturing markets into revenue growth.

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