

Malcolm McDonald Consulting Ltd.

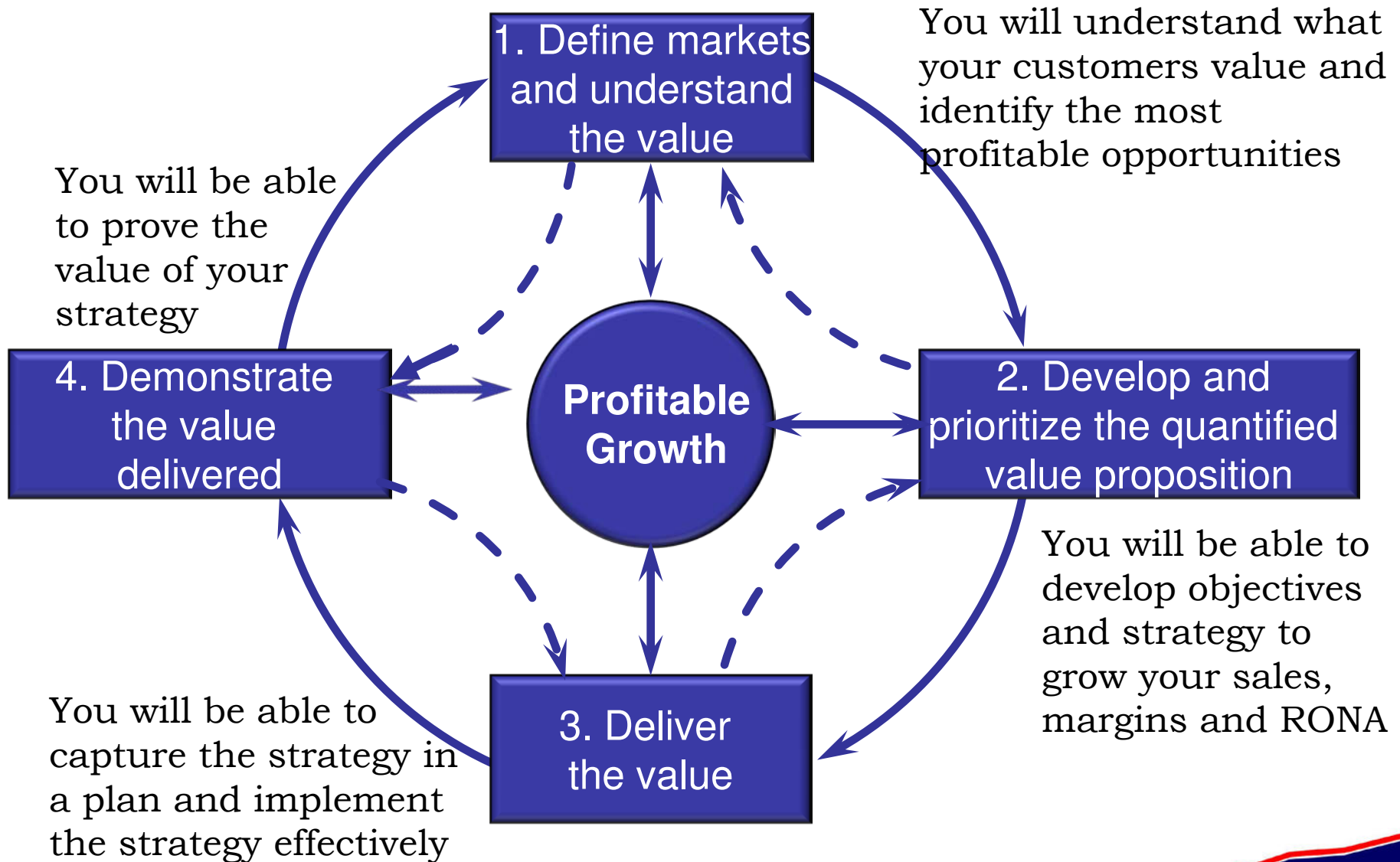
Market Segmentation – A Quick Method

by Emeritus Professor Malcolm McDonald



Malcolm McDonald Consulting
true sales and marketing strategists

The Profitable Growth Process™

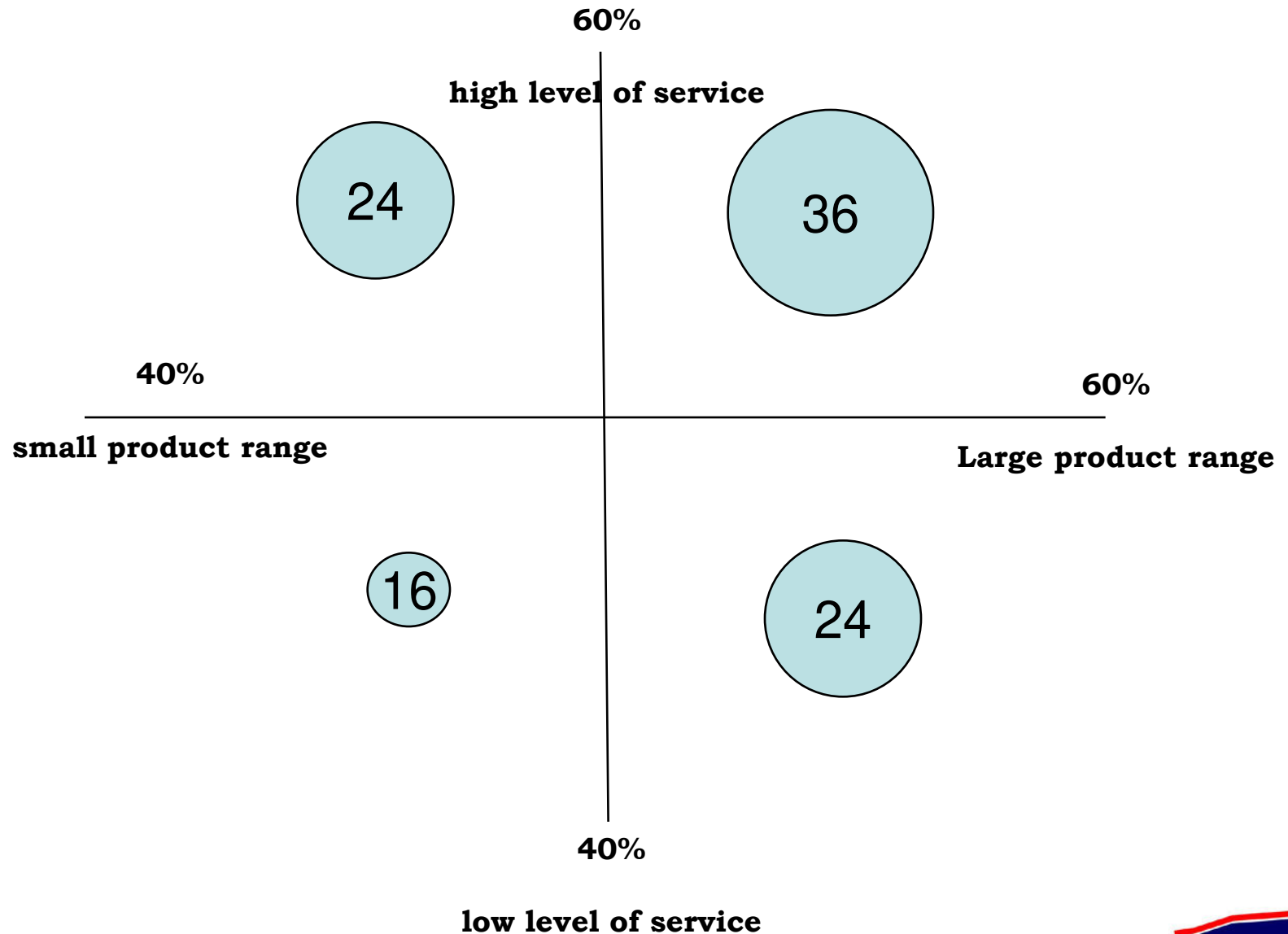


Market Segmentation – Quick Method

Steps

- ✓ Write down the main benefits sought by customers
- ✓ Hygiene factors are benefits that any product or service must have to be acceptable in the market; try to ignore these.
- ✓ Motivators are those benefits that contribute towards the customer's decision about which product to buy; take the 'motivators' and choose the 2 main ones.
- ✓ Draw two straight horizontal lines and make an estimate of the percentage of customers at each end.
- ✓ Take the left hand point of the first horizontal line and drag it over the second horizontal line, to make a cross (see next slides...)

Market Segmentation – Quick Method



Market Segmentation – Quick Method

So, for example, if service level is a key motivator of what is bought:

40% _____ 60%

low level of service high level of service

Likewise, if the breadth of the product range is a key motivator:

40% _____ 60%

small product range large product range

- ✓ Starting at the top, and moving in a clockwise direction, multiply 60% by 60% to give 36% (see 1st circle).
- ✓ Then multiply 60% by 40% to give 24% (see second circle)
- ✓ Then multiply 40% (the bottom of the vertical axis) by 40% to give 16% (see third circle).
- ✓ Lastly, multiply 40% by 40% to give 16% (see fourth circle).
- ✓ The circles represent segments in the market.

Market Segmentation – Quick Method

Interpretation

- ✓ The 1st segment (36%), the biggest segment, requires both high service and a large product range.
- ✓ The second segment (24%) prefers a large product range and is less interested in service.
- ✓ The third segment (16%), doesn't care much about either a large product range or service.
- ✓ The fourth segment (24%) prefers good service and is less interested in a large product range.
- ✓ Although not essential, you might consider giving each segment a name.

Action

- ✓ Ensure your 'offer', including the product, price, service and promotion reflect the differing needs of each segment.

Example

- ✓ An example of segmentation of the A4 paper market follows. Please note that if, as in the case of the A4 paper market, there is one very large segment (in this case 56%), the exercise can be repeated for just this large segment, resulting in seven segments in total.

Quick Method Example = Copier Paper

An example of segmentation of the A4 paper market is below.

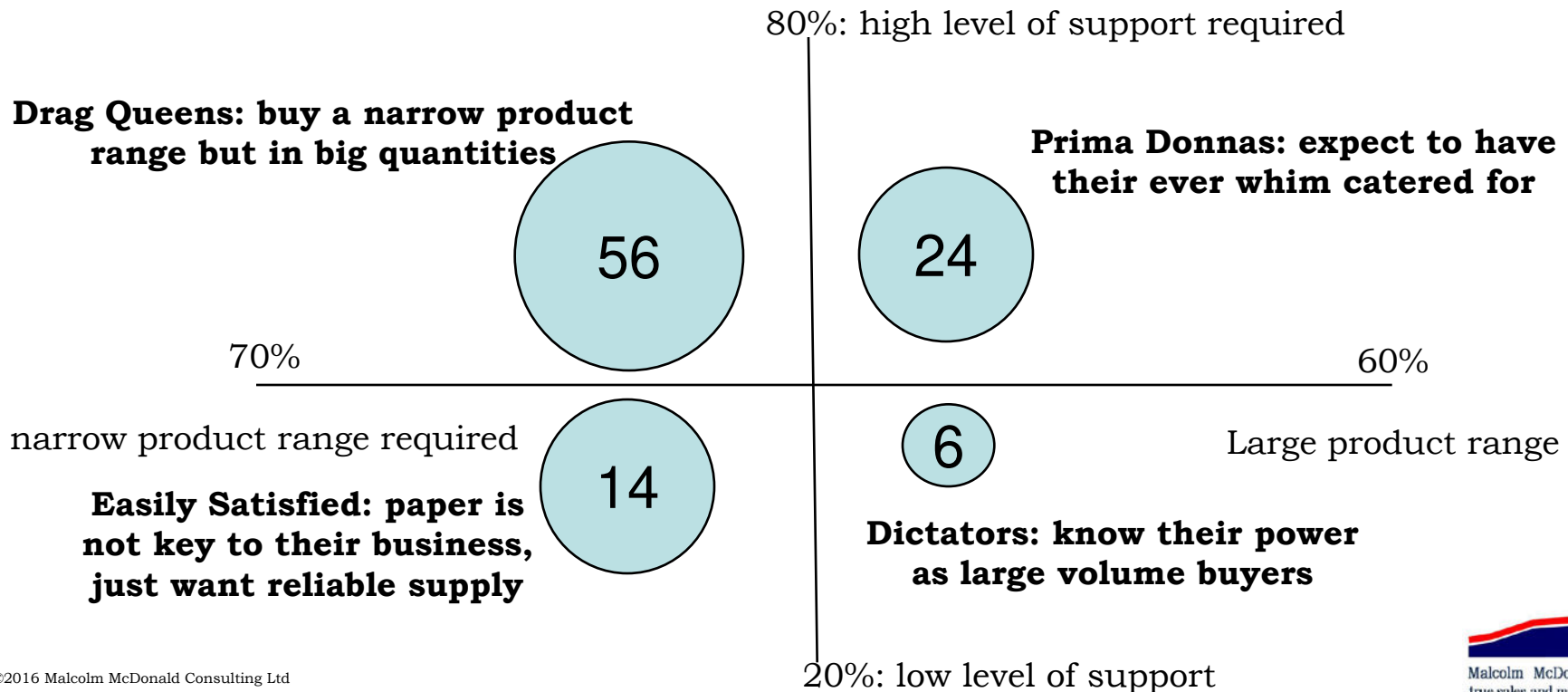
Please note that if, as in the case of the A4 paper market, there is one very large segment (in this case 56%), the exercise can be repeated for just this large segment, resulting in seven segments in total.

- ✓ Service delivery
 - Fast, paper always ‘there’ – point of delivery availability of products; service levels
- ✓ Product fit for purpose
 - High quality print finish for colour copiers; consistency of quality; paper that doesn’t screw up in the machine; print definition; no waste
- ✓ Environmental factors
 - Recyclable
- ✓ Level of support
 - Delivered in small lots; consignment stock; easy ordering {on-line}; delivered to difficult locations

Quick Method Example = Copier Paper

20% _____ 80%
low (less demanding) high (wants lots of support)

40% _____ 60%
small (buy narrow product range) large (buy large product range)



Malcolm McDonald Consulting Ltd.

Malcolm McDonald

- Emeritus Professor of Marketing, Cranfield University; Visiting Professor at Henley, Warwick, Aston and Bradford Business Schools.
- Author of over 40 books on marketing and key account management
- Previously Marketing Director of Canada Dry
- Works with the operating boards of a number of the world's leading multi-nationals on all continents

Edmund Bradford

- Co-author of *Marketing Navigation: How to keep your marketing plan on course to implementation success*
- 20 years of experience with strategic sales and marketing programmes
- Built and ran the Global Account Management programme for an aerospace business
- Led projects and managed client relationships in many industries
- Developed marketing and KAM simulations

Florin Vladica

- Over 20 years of experience in sales and trade marketing .
- Deep experience of the FMCG, including as Trade Development Manager at Philip Morris, but has also worked in other sectors both as a sales trainer and as consultant.
- Expertise gained in Europe, North America and Middle East, and that includes sales strategy, diagnostic and planning, consumer research, territory and portfolio management, sales performances.

Our value proposition

Boardroom proficiency We bring insights to your boardroom after many years of working with top leaders in world class companies across industries, and in all regions of the world.

Unique know-how We quickly transfer our knowledge, skills deep understanding of strategic sales and marketing, by deploying our unique toolbox of best-selling books, online marketing games, white papers and articles, methodologies, business models, workshops and keynote addresses.

Proven track record The portfolio of services is founded on deep state-of-the-art research at top Business Schools, and methodologies and models, based on this research, have been proven to work in the market place.

Partnership for value We deliver substantial ROI, together with enjoyable learning experience, by partnering with your project teams as trusted outside expert, or as an embedded business partner, or any point in between.

To summarise, our value proposition consists of end-to-end interaction, from Board level to your internal project team, in getting the fundamentals right in sales effectiveness and strategic marketing, all within budget and the agreed deadline.



We have helped many leading organizations improve their sales and marketing excellence



These include businesses:

- American Express
- Aviva
- AstraZeneca
- Barclays
- Brussels Airlines
- British Gas
- BUPA
- GSK
- Howden
- Hitachi
- IBM
- Mercedes-Benz
- Oracle
- Siemens
- Standard Bank
- Shell
- Tesco
- Tetra Pak
- Tyco
- United Utilities
- Vodafone
- Zurich

Non-profit organizations

- The Law Society
- CIMA
- Aston, Bradford, Cardiff, Cranfield
- Henley, Warwick, Worcester, York

Business Schools

and many non-household names like:

Compass, Cushman & Wakefield, Hexagon, Jones Lang LaSalle, Parker *plus a host of SMEs*

Contact us

Malcolm
McDonald

- T: +44(0)184 429 1458
- E: m.mcdonald@malcolm-mcdonald.com

Florin
Vladica

- T: +44(0)121 318 9955
- E: florin.vladica@malcolm-mcdonald.com

Edmund
Bradford

- T: +44(0)121 318 9955
- E: ed.bradford@malcolm-mcdonald.com

7, The Courtyard
Wootton Business Park
Wootton Waven,
Warwickshire
B95 6HJ, United Kingdom

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