

Market Segmentation

Overview – Needs Based
Segmentation



What is Needs Based Segmentation?



Historically marketers in industrial markets tended to categorise their customers by size of spend, industry sector, product used or geographical area.

While such “vertical or categorical” segmentations are useful, relying on such a limited segmentation approach risks failing to capitalise on customer’s varied requirements.

Customers have very different requirements, even within the same product groups or vertical markets. To understand these different needs, an alternative segmentation approach is required – ***one that takes account of customers attitudes, requirements and needs.***

How is it done?

A **needs-based segmentation** is developed through a series of research techniques designed to explore and categorise customers by need, attitude and market perception. Typically, the segments developed will cross vertical sectors, geography, age or gender. The distinguishing characteristics of segments are essentially **behavioural** – i.e. they relate to the attitudes, priorities and perceived needs of the customer. They are based on actual needs rather than the industry category, region or size of spend.

Customers can, therefore, also be segmented based on their behaviour and their attitudes – i.e their needs. This is achieved by analysing what people say and grouping them together based on similarities in their attitudes and priorities.

Example – Segmentation of Forklift Truck Users

Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5
Service Focused	Product Focused	Green Conscious	Price Sensitive	Partnership Focused
Maintenance contract	Truck performance	Fuel efficiency	Value for money	Service levels
Parts availability	Reliability	Low emissions	Maintenance costs	Ongoing relationship
Service levels	Robustness	Reliability	Reliability	Value for Money
Value for money	Driveable	Value for money	Low Emissions	Maintenance Contract
Reliability	Manoeuvrability	Robustness	Financing arrangements	Low emissions
			Robustness	
35% of market	35% of market	5% of market	20% of market	5% of market

Cluster 1 are much more concerned with maintenance contracts, parts availability, service levels, value for money and reliability – hence they are best described as “Service Focused”. We can also see that these people represent 35% of the market -so 35% of potential customers are likely to share these concerns.

Making Use of Segmentation



Example – Targeted Marketing Channels & Messages

Cluster 2	Country	Fleet Size	Industrial Sector
% by category	% % % %	% % % %	% % % % % % %

	Magazines read				Exhibitions attended				Importance of Internet	Importance of direct mail
	A	B	C	D	A	B	C	D	%	%
Cluster 1										
Cluster 2										
Cluster 3										
Cluster 4										
Cluster 5										

The segmentation analysis allows you to identify which groups are most receptive to different marketing messages.

The segmentation can also profile readership patterns and information channels most used.

Want to know more....



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