



Define your Market of interest

Use a Segmentation Tree to be clear and focused on your market – where you want to do business now or in the future.

Module 2
Exercise 2.2

Segmentation Tree to determine Market

Exercise 2.2



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Introduction to Segmentation

Exercise 2.2



This simple exercise is the starting point to defining who are your most profitable buyers to focus on.

As an SME in today's dynamic business conditions, you can't be all things to all people. With limited resources, it makes sense to choose to service a specific group of consumers/businesses whose needs you want to nail.

Successful businesses (think fortune 500) understand the value of researching and analysing their market to gain a competitive advantage. To achieve this, they use a marketing process to:

1. Define a narrow and focused, rather than broad **Market**
2. Segment that market into smaller unique groups of buyers with differing needs (**Market Segments**)
3. Choose the most appropriate and valuable group(s) for their offering (**Target Market**)
4. Build a picture of their ideal customer (**Buyer Persona**) to understand how they can best influence buying decisions.

One mistake that some SMEs make is in not doing this at all, perhaps in the fear of not wanting to lose ANY prospects. However, the best and simplest opportunities to succeed lie in being *narrow and focused* rather than broad and general when trying to gain a higher market share.

Reasons to segment

Strategic advantage of Market Segmentation

Market Understanding	Splitting a market into smaller groups affords a greater understanding of the marketplace and the differing needs of prospects. Understanding and addressing those needs can provide a competitive advantage.
Unmet needs	Looking at a market in different ways may enable you to identify market segments that are not being fully catered for. Creative approaches to segmenting a market may generate new opportunities.
Competitive Position	It can be easier to compete against others by focusing on a smaller, more defined group of buyers and serving them better than anyone else.
Avoid Mass Marketing	It is not possible to mass market easily or successfully in today's world. For a small business with limited resources it's better to concentrate your efforts on a more specific, defined and valuable Target Market.
Reduce Risk	Once you have a clear and well formed Target Market your decisions on where, when and how to market your products or services becomes easier. Built less on assumptions (therefore less risky), you avoid areas that offer poor return on investment because you have identified your most profitable customers.
Increase Efficiency	With limited resources, it makes sense to service a specific group of buyers. Your marketing will be more efficient as you direct efforts in a way that is consistent with their characteristics.
Brand Loyalty	By understanding a specific group of buyers well you can develop and offer products and services your customers need/want, thus helping to build trust and loyalty.

Using a Segmentation Tree to define a market

Exercise 2.2



A way to narrow a generic and broad market and to distinguish different buyer groups is to use a **Segmentation Tree**. This is particularly handy when statistical data is not readily available.

How a segmentation tree works is similar to a business tree. A top layer of information branches off to a second layer. One answer is chosen from this second layer which then branch off into another layer below. Each layer uses a different set of segmentation factors to drill down further.

These factors can vary depending on what a business might be trying to achieve e.g. for B2B you might be looking at the types of businesses that you could sell your product to – retailers, manufacturers or services. Perhaps this could be drilled down further to business turnover as your product may suit smaller rather than large corporates etc.

Slicing up your Market

If you are not sure where to start to determine your broad market, here's a list of major market industries used by the stock market at investorguide.com You can use any number of different segmentation variables to split your broad market into smaller more defined groups. It depends on where your business interest lies.

Here are some common segmentation factors you could use to split up your broad market into a more narrow one:

Business Description

What industry?

What type of business?

What size, in terms of staff or revenue/profits?

What type and mix of products?

Franchise or independent?

Geographic location(s)

Where are you?

Country, continent, regional or local?

One geographic area or spread over a wide area?

One office or multiple outlets?

Define your market

Look at the examples on the next couple of pages and print out the segmentation tree template on page 7 to brainstorm your ideas. You may already know where your business is or wanting to focus but its always good to define your market as it's part of your overall brand strategy that you and your senior team members should be clear on.

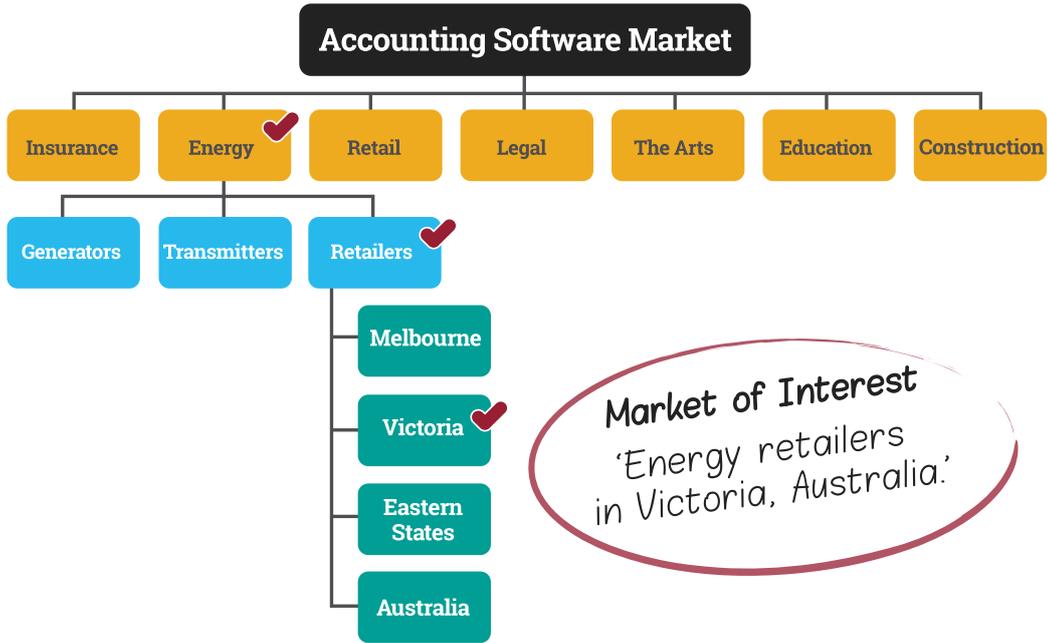
B2B Market examples

Exercise 2.2



Key Broad Market Sub Markets Sub Market split further (if necessary) Geographic Location

B2B Accounting software brand



B2C Childrens clothing brand



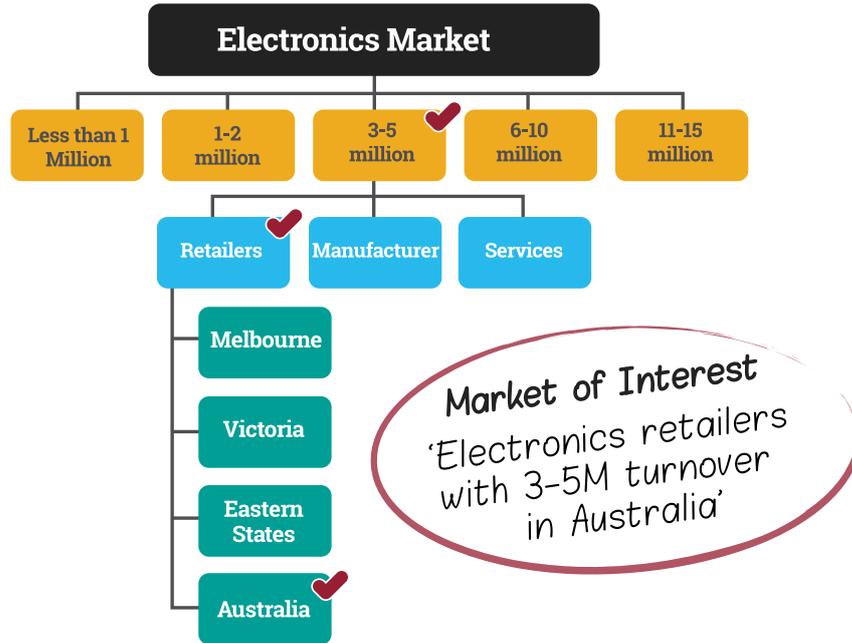
B2C Market examples

Exercise 2.2



Key Broad Market Sub Markets Sub Market split further (if necessary) Geographic Location

B2B Electrical wholesale brand



B2C Vegan & vegetarian fast food brand



Segmentation Tree template

Exercise 2.2



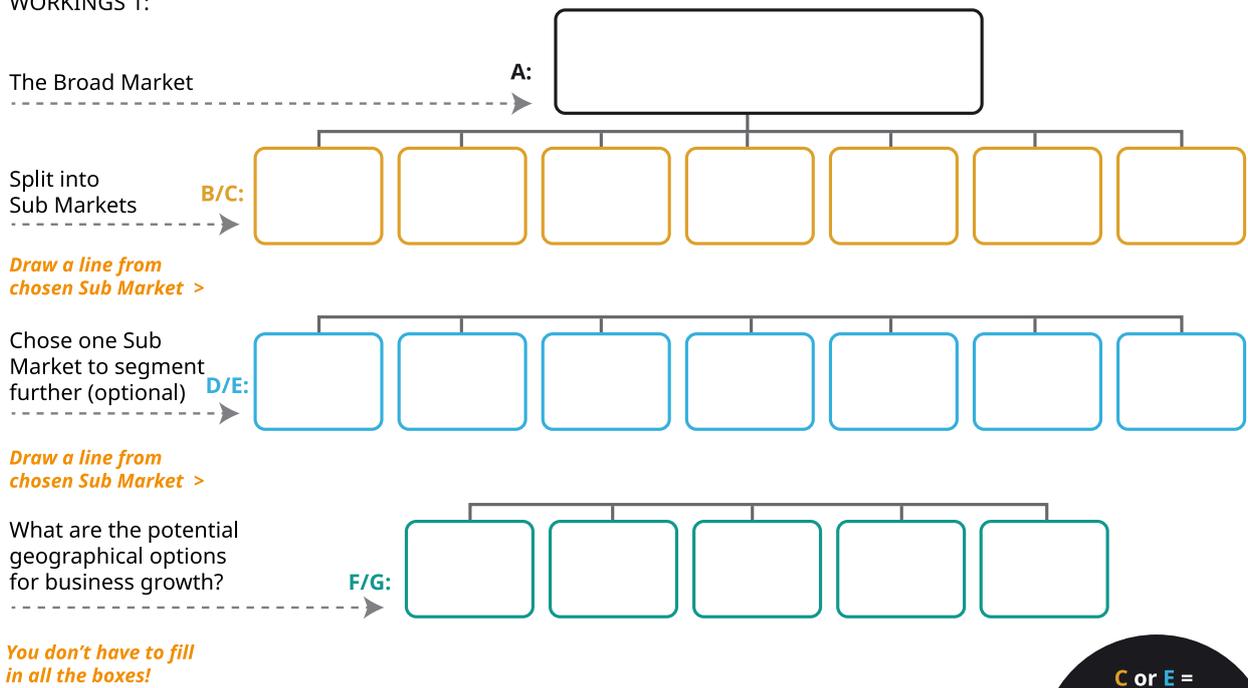
A: Define a **Broad Generic Market** where your business belongs. Here's a list of major industries at investorguide.com

B/C: Divide your broad market into smaller groups - **Sub Markets** (B). You can use various segmentation factors such as industry type or revenue (*see page 4*). Circle the one that best describes your 'Market' (C)

D/E: Sometimes you may need to divide and define narrower. Can (C) be divided further? E.g. Speciality Store Market can be divided into fashion, furniture, books, toys... etc (D). Circle the one that best describes your **Market** (E)

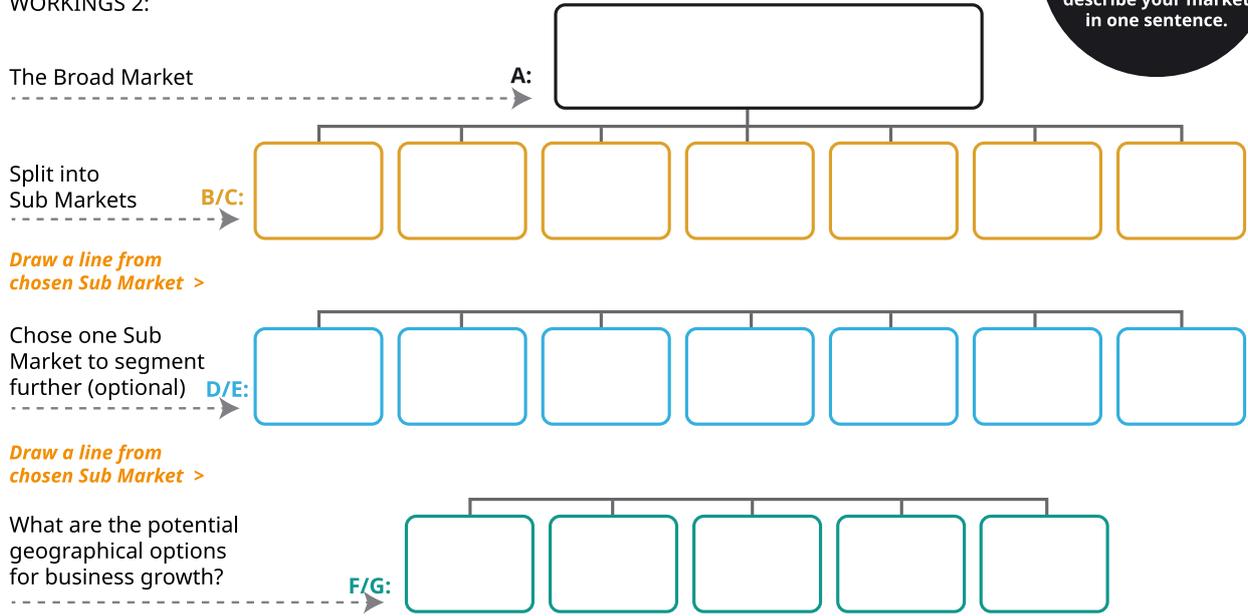
F/G: What are all the possibilities of where you (or wish to) operate - continent, country, regional, local? List them and circle your final **Location** (G)

WORKINGS 1:



C or E = Your MARKET
G = WHERE it is
 Put together to describe your market in one sentence.

WORKINGS 2:





Think, Act & Grow like a Brand