Session 5:

Segmenting the Business Market and Estimating Segment Demand
High-Growth Companies Succeed By:

- Selecting well-defined groups of potentially profitable customers
- Developing distinctive value propositions that competitively meet customer needs
- Focusing marketing resources on acquiring, developing, and retaining profitable customers
Business Sector

• The business market consists of 3 broad sectors:
  1. Commercial Enterprises
  2. Institutions
  3. Government

• Each sector has many segments
• Each segment has a unique need and requires a unique marketing strategy
What key criteria best define a unique market segment?

- Measurability
- Accessibility
- Substantiality
- Responsiveness
Missed Opportunities – Three Customer Groups

1. **Undershot customers** - Existing solutions fail to meet their needs, resulting in:
   a. a purchase of new product versions
   b. at steady or increasing prices.

2. **Over Shot Customers** - Existing solutions are too good, thus customer is reluctant to purchase new version.

3. **Non-Consuming Customers** – Customers who lack resources, skills or ability to benefit from existing solutions.
Business Marketing Segmentation

Business Markets

Macro-segmentation

- Geographic
- Customer Type
- Customer Size
- Product Use

Micro-segmentation

- Purchasing Criteria
- Purchasing Strategy
- Importance
- Personal Characteristics
Price vs. Service

- One study identified four types of buyer segments:
  - Programmed buyers
  - Relationship buyers
  - Transaction buyers
  - Bargain hunters
Value Based Strategies

1. Innovation-focused customers
2. Customers in fast-growing markets
3. Customers in highly competitive markets
Segmentation Model

1. Identify key characteristics (macro-segments) based on organizational characteristics (e.g.: size, NAICS)

2. Consider the buying situation in terms of macro-dimensions (i.e., Where are they in the procurement cycle – new task, rebuy, modified rebuy?)

3. Select set of acceptable macro-segments based on corporate objectives and resources.

4. Evaluate each segment that possesses distinct needs, is open to a distinct message and is responsive to your marketing program.

5. If Step 4 is successful, select macro-segment as the target market and complete a cost/benefit analysis for marketing to it.
Implementing a Segmentation Plan

A well-developed segmentation plan will fail unless the following issues are addressed:

1. How should the sales force be organized?
2. What services will the new segment require?
3. Who will provide the new services?
4. How do we contact the new segment?
5. Can we support the new operation?
6. Will new adaptations be necessary to serve the international market?
Methods of Forecasting Demand

1. Qualitative
   - Executive Judgment
   - Sales Force Composite
   - Delphi Method

2. Quantitative
   - Time Series
   - Regression (causal)

3. Collaborative Planning Forecasting and Replenishment

4. Combining Techniques
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In this Session we discussed:

- Benefits of and requirements for segmenting the business market
- Potential bases for segmenting the business market
- Procedure for evaluating and selecting market segments
- Role of market segmentation in the development of business marketing strategy
- Process for estimating demand in each market segment
- Specific techniques to effectively develop a forecast of demand