

IG	pV Pricing Deeply	Unit 1: Segmentation and Customer Needs, part 1
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Segmentation and Customer Needs

Introduction

You are asked to gather information to help segment the market and understand the needs of those market segments prior to the strategy meeting. To do this, you need the following information from the Pricing Strategy facilitator:

- 1 Which of our product or services are we considering?
- 2 When is the strategy meeting happening?

You need to complete this work ready for the strategy meeting. We would expect this task to take between ½ hour to 2 hours, depending on how much work you need to do to assemble this information.

1 Segmentation

1.1 Definition of segmentation

Segmentation is the dividing up of the target market into distinct subgroups that have something in common. This could be their need for a certain set of product features, or certain level of price sensitivity, type of service, etc. (See Concept page ??? for more information).

1.2 Segmentation – where to get data

One principal of segmentation is to find the discriminatory variables, i.e. the items that are common within a subgroup or segment, and that distinguish this from other groups. To do this, the more relevant data points that can be used, the better. Many organisations will have data held in one or more databases. You should look at these and consider these factors when segmenting the market:

- Psychographic: emotional needs and wants; experience
- Demographic: age, sex, income, affiliations
- Geographic: location
- Lifestyle: interests, e.g. sports, leisure
- Life stage: family size, age of family members

A useful approach is to look for:

- Subgroups with a common set of needs
- Subgroups that have a similar quality or price standards
- Specific subgroups to target, e.g. first-time users
- Specific subgroups that are particularly in need of your product or service

1.3 Attributes of the segmentation

The segmentation, when developed, needs to be:

- Meaningful, i.e. understandable and useable;
- Addressable: i.e. it must be possible to reach them;
- Repeatable: i.e. not a short term trend or 'fad', but something lasting;
- Accurate: i.e. numerically accurate, valid and representative;
- Tangible: meaningful to the customer;
- Effective: i.e. must be useful when looking at the business objectives.

Now make a list of market segments for your product to take to the meeting.