Customer Segmentation

Lecture 3

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Learning Objectives

1. Understand methods for segmenting a market.

2. Know the benefits of segmenting.

3. Identify a target segment for your business idea.

4. Develop a persona to visualise your target customer.

Quote by Philip Kotler

There is only one winning strategy. It is to carefully define the target market and direct a superior offering to that target market.
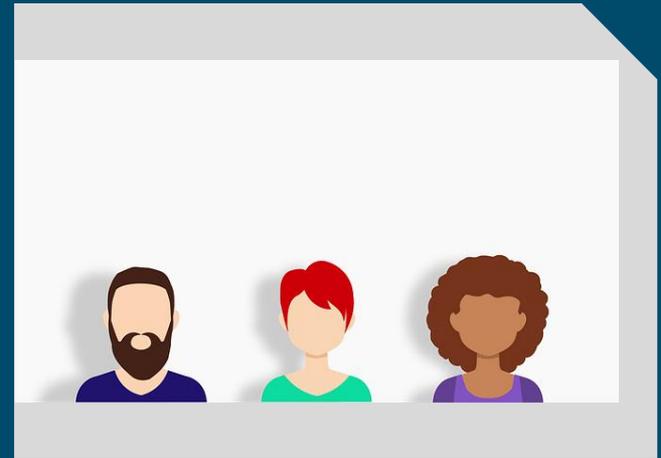
— *Philip Kotler* —

Case Study Example – Cross Pens

Questions on Customer Segmentation

- For whom are you creating value?

- Who are your most important customers?

Approaches to Customer Segmentation

- **Mass market** – Targets a broad audience with similar needs.

- **Niche market** – Serves a specific, narrow customer group.

- **Segmented market** – Offers tailored products to distinct groups.

- **Diversified** – Serves unrelated customer segments simultaneously.

- **Multi-sided platform** – Connects interdependent customer groups.

Ways to Segment by Demographics

- **Age and gender** – Group customers by age and sex.

- **Income** – Segments based on earning levels.

- **Level of education** – Groups by the highest level of education attained.

- **Occupation** – Segments by type of work.

- **Social status** – Groups by societal class or rank.

- **Family** – Segments by household composition.

- **Life stage** – Groups by significant life events.

Ways to Segment by Geographics

- **Climate** – Segments by weather conditions of the area.

- **Culture** – Groups by shared customs and traditions.

- **Language** – Segments by spoken or written language.

- **Population density** – Groups by crowdedness of area.

- **Country** – Segments by national boundaries.

- **City** – Groups by specific urban location.

Ways to Segment by Psychographics

- **Personality** – Segments by individual traits and characteristics.

- **Hobbies** – Groups by preferred leisure activities.

- **Opinions** – Segments by personal views or preferences.

- **Life goals** – Groups by long-term aspirations.

- **Values and beliefs** – Segments by moral or cultural principles.

- **Lifestyle** – Groups by daily habits and choices.

- **Attitudes** – Segments by feelings toward ideas or products.

Ways to Segment by Behaviours

- **Spending habits** – Groups by how much customers spend.

- **Purchasing habits** – Segments by buying frequency or patterns.

- **Occasion** – Groups by specific purchase or usage events.

- **Buyer stage** – Segments by position in the buying journey.

- **Loyalty to your brand** – Groups by repeat purchase commitment.

- **Product feedback** – Segments by customer reviews or opinions.

- **Usage** – Groups by how often the product is used.

- **Benefits sought** – Segments by desired product advantages.

Benefits of Market Segmentation

- Focus on the customers that matter most.

- Power new product development.

- Design more effective marketing.

- Deliver better customer service.

- Use your resources more efficiently.

- Develop a more customer centric culture.

- Create a superior experience for customers.

Video Explainer – Customer Segmentation

https://youtu.be/gXFAAYflep8?si=vh6ig SLu9wTssu9A

Disability-Inclusive Market Segmentation

- There are over 1 billion people globally with disabilities.

- In NI and ROI, disabled consumers represent a growing and underserved segment.

- Many face barriers to access, creating niches for inclusive innovation (e.g., adaptive clothing, accessible tourism).

- Segmenting for this market shows both social impact and commercial opportunity.

Sim Venture Validate – Define Your Customer in 4 Steps

- What is the name of the customer segment?

- What type of segment is this (B2B, B2C)?

- Provide customer age or company size?

- Describe 3 customers.

Persona Exercise (1 of 2)

- List the key terms to describe your target customer.

- For example: 18-24 year old, female, Irish, university student.

- Use Google Image to select an image that best represents your target audience.
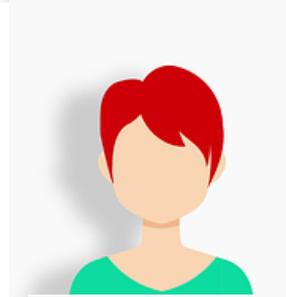
Persona Exercise (2 of 2)

- Find other images to represent their:

    – Habits & interests,

    – Desires,

    – Fears & pain points.

- Create a portfolio of images of your target customer.

- How does your target customer navigate challenges or barriers in everyday life? What inclusive solutions do they value?

- Add your preferred image to Sim Venture Validate.
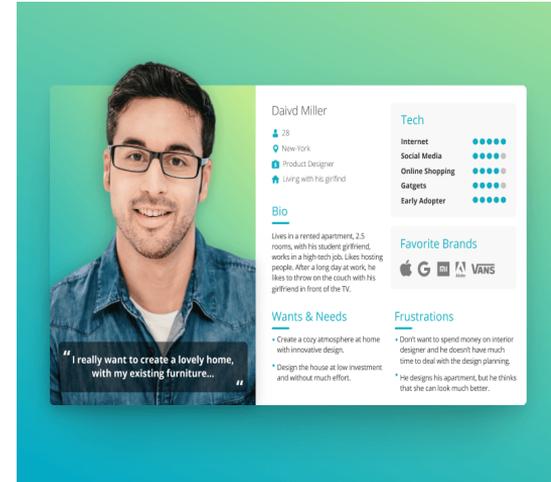
Key Takeaways

1. Your product or service cannot target everybody.

2. Identify a specific customer segment that you can lead.

3. Develop a persona that accurately portrays your target customer.

4. Develop a persona to visualise your target customer.

5. Inclusive segmentation improves business outcomes by identifying underserved and loyal customer groups, such as persons with disabilities.