

Key elements of world class marketing

market segmentation and marketing planning
the essential prerequisites for
successful CRM systems

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The Marketing Process Company

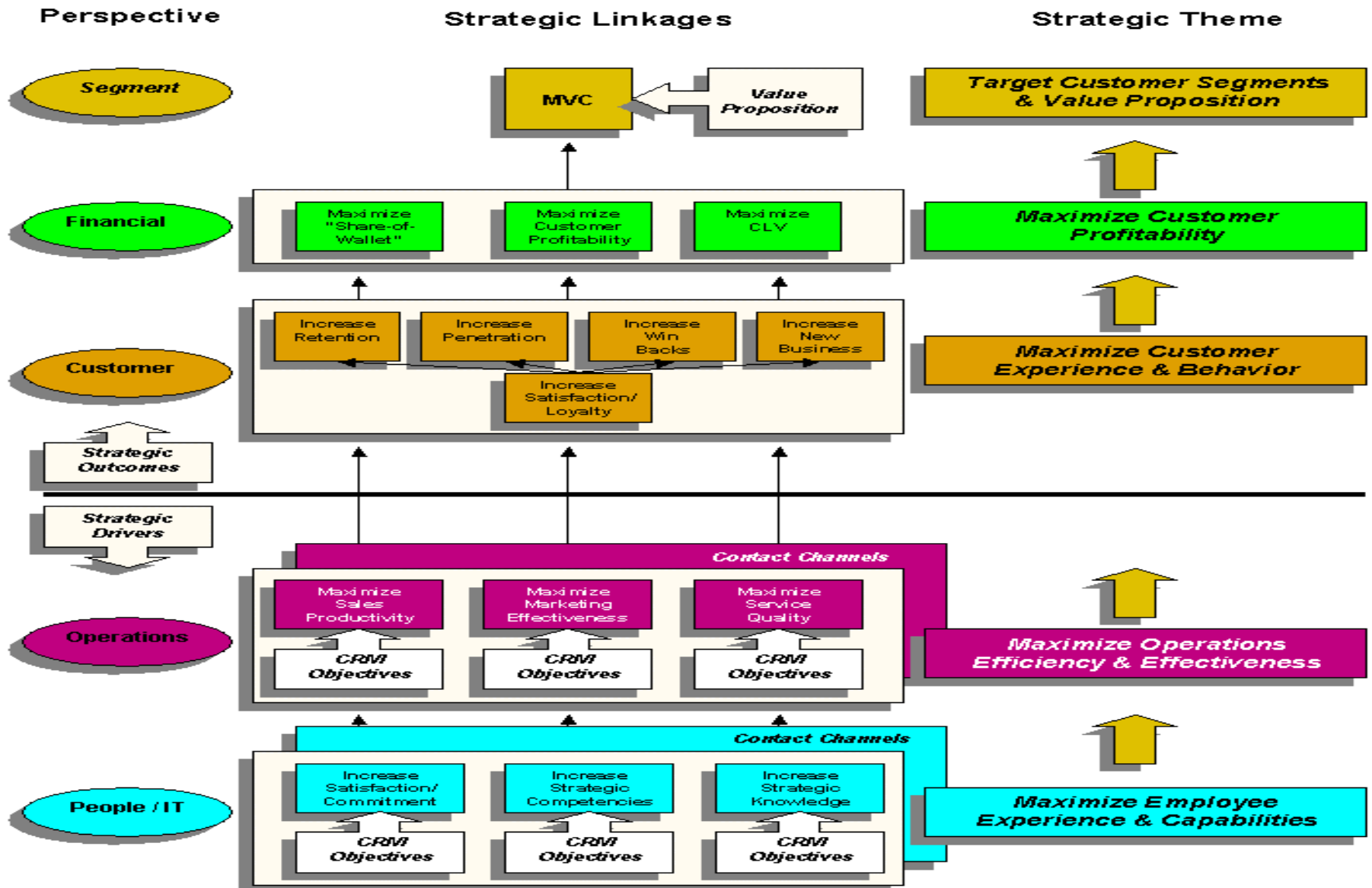
5th March 2002

What might keep you awake at night?

- **How do I justify the investment in CRM (ROI)?**
- **Are we getting a return on the investment made?
(effectiveness and efficiency)**
- **Budgets/targets**

Figure 2.

The CRM Strategy Map



Segmentation and profitability

- **Essential prerequisites - or the CRM system won't work**
- **Issues to be checked and addressed if it doesn't work**

work = improved shareholder value

What questions need to be answered?

- **How does my market(s) segment in terms of need?
(need is not profiling)**
- **Which segments improve shareholder value?**
- **What are my strategies to better address those segments?**
- **What metrics should I collect to show the strategy is effective?
(make the important measurable, not the measurable important)**

Market Definition

People or organisations who share a common need that can be satisfied by alternative solutions

Market Definition

Financial services

- **Pensions - build assets to provide income in the future (asset mgt, life assurance, etc)**
- **Insurance - planning for unforeseen financial liability (self insure, bonds etc)**
- **Wealth Mgt - advise me on various financial instruments to exploit, to meet my financial needs and aspirations**
- **Loans/mortgages - help me finance the acquisition of assets**

Market Segmentation

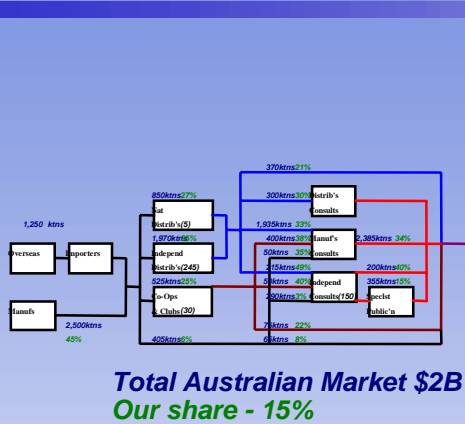
People or organisations who seek the same or similar benefits when they make a purchase decision

Key points:

- **Segments can have very different costs to serve, profitability, and loyalty profiles i.e. a wide variance in NPV**
- **The competitive position for the same product offer can be very different for different segments.**

The seven steps of segmentation

Market Mapping



\$800M
15%

Surfers

Wind Surfers

\$1,200M
0%

Who Buys

Surfers

Wind Surfers

Clubs

Hire Shops

Private individuals

What* is Bought

What products, brand, package, quality, intensity, consultancy, services

Where, When and How

Who Buys What*

Hire shops	Clubs	Private
A	G	P
what	what	what
where	where	where
when	when	when
how	how	how
A1 to A17	G1 to G13	P1 to P4

Micro-Segments

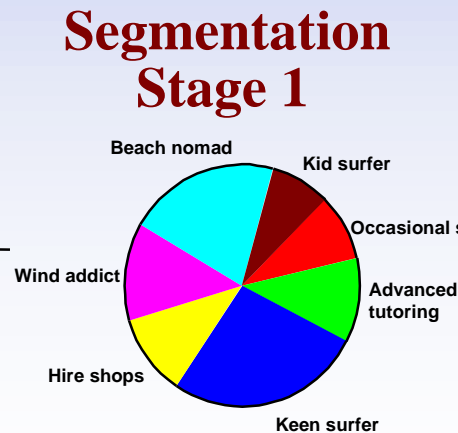
Segmentation Stage 2

Size Differ. Reach.

Seg 1
Seg 2
Seg 3
Seg 4
Seg 5
Seg 6
Seg 7

OK

and compatible with the company!

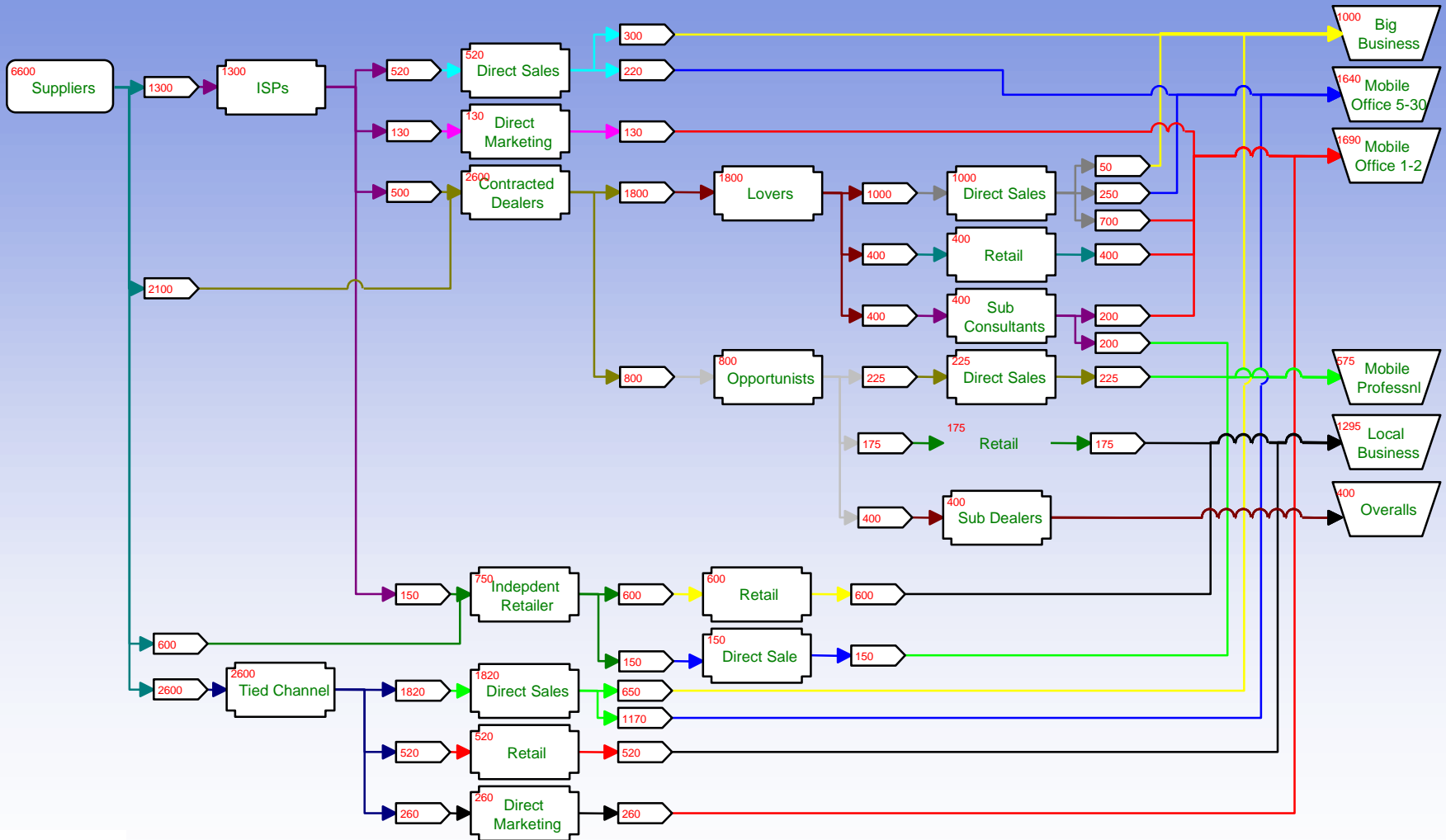


Why

Micro-Segments

	A1 to A17	G1 to G13	P1 to P4
Market CPIs	score	score	score
Innovative/new			
Performance			
Financing			
Durability			
Sophistication			
Ease of use			
Brand-quality			
Safety			
Customisation			
Price			
Total	100	100	100

Market Map



Market Map

First cut Segmentation

Overall driver : Users want the smallest footprint without compromising Image size requirements

Carpenters

Traditional Orthopaedic
or price sensitive

Key requirement:
smallest and simplest
platform.

Purchaser:
Often direct to Surgeons
in the German market
and private clinics in
the F/D markets

Watchmaker

Spinal
Vascular
Urology
'Key hole'

Key
requirement:
Image size &
manipulation
Channel:
Often Direct to
Surgeons

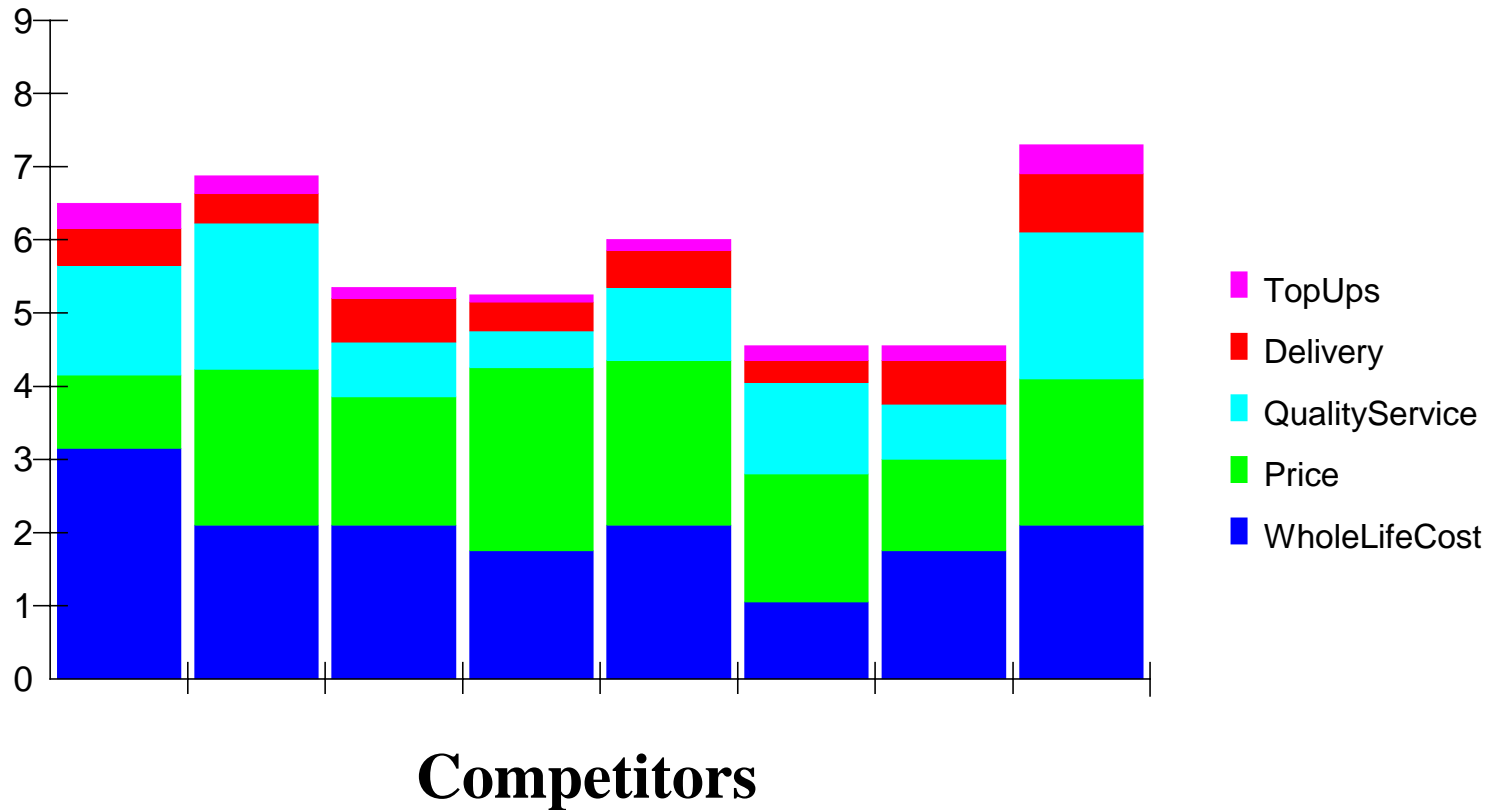
Compromisers

Key requirement :
Nearly meet as many
needs as possible
Purchaser:

Footprint = Weight,
Size, portability,
manoeuvrability etc

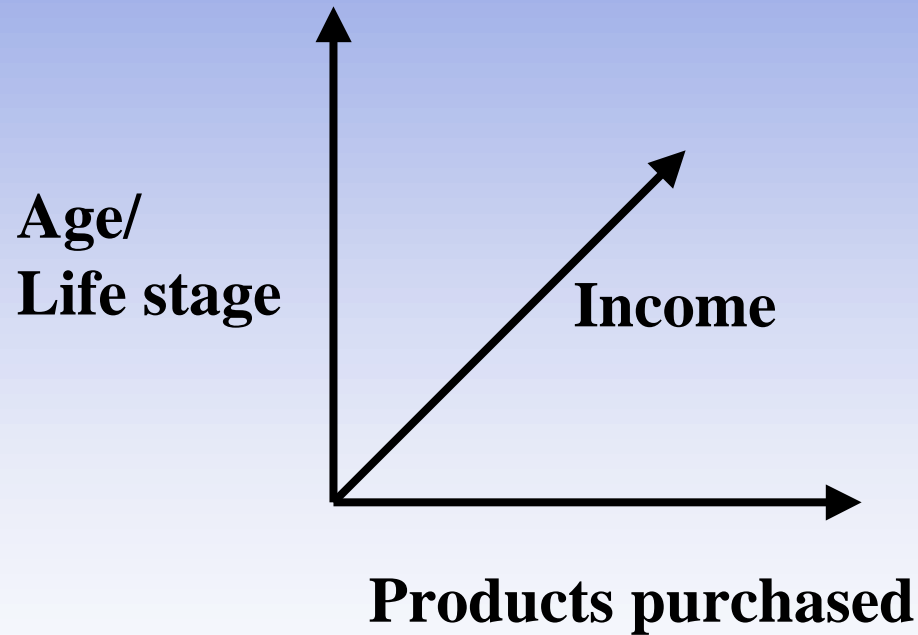
Competitive Analysis by market segment

CSF Bar Chart



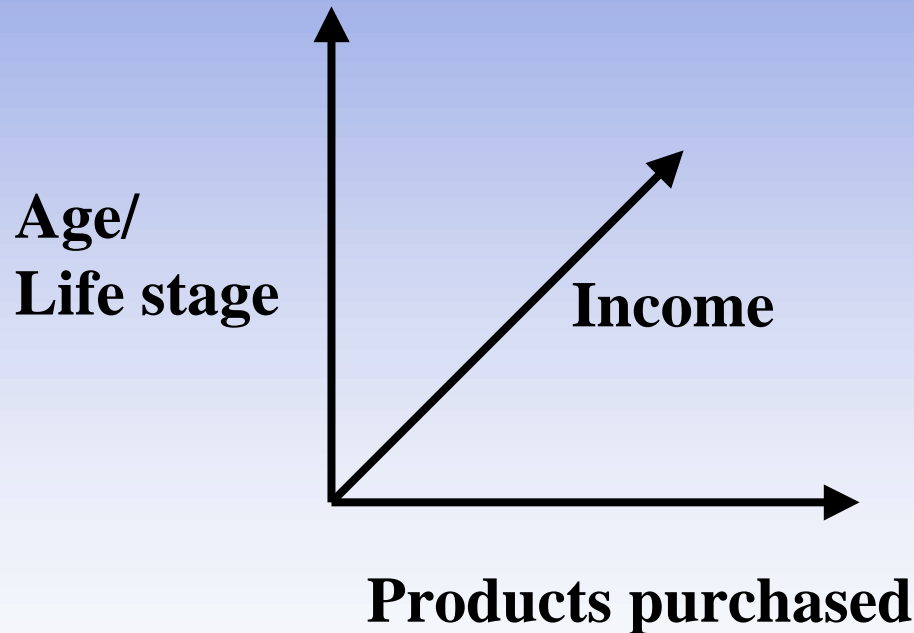
Market Segmentation

Profiling

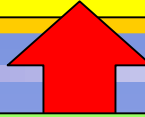


Market Segmentation

Profiling - can help in reach but do not necessarily define need



Shareholder Value



Cash Flow

Level

Timing

Duration

Risk

Financial

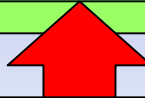
Sales growth

Operating margin

Investment

Cost of capital

Financial Drivers



Market Segmentation

Strategic

Profitable

Size

Loyalty

Marketing

Technology

Price

Brands

Service

Critical Success Factors

Determine the value of segments

Annual sales

Gross income

-

Cost to interface

=

**Net Segment
profitability (NSP)**

X

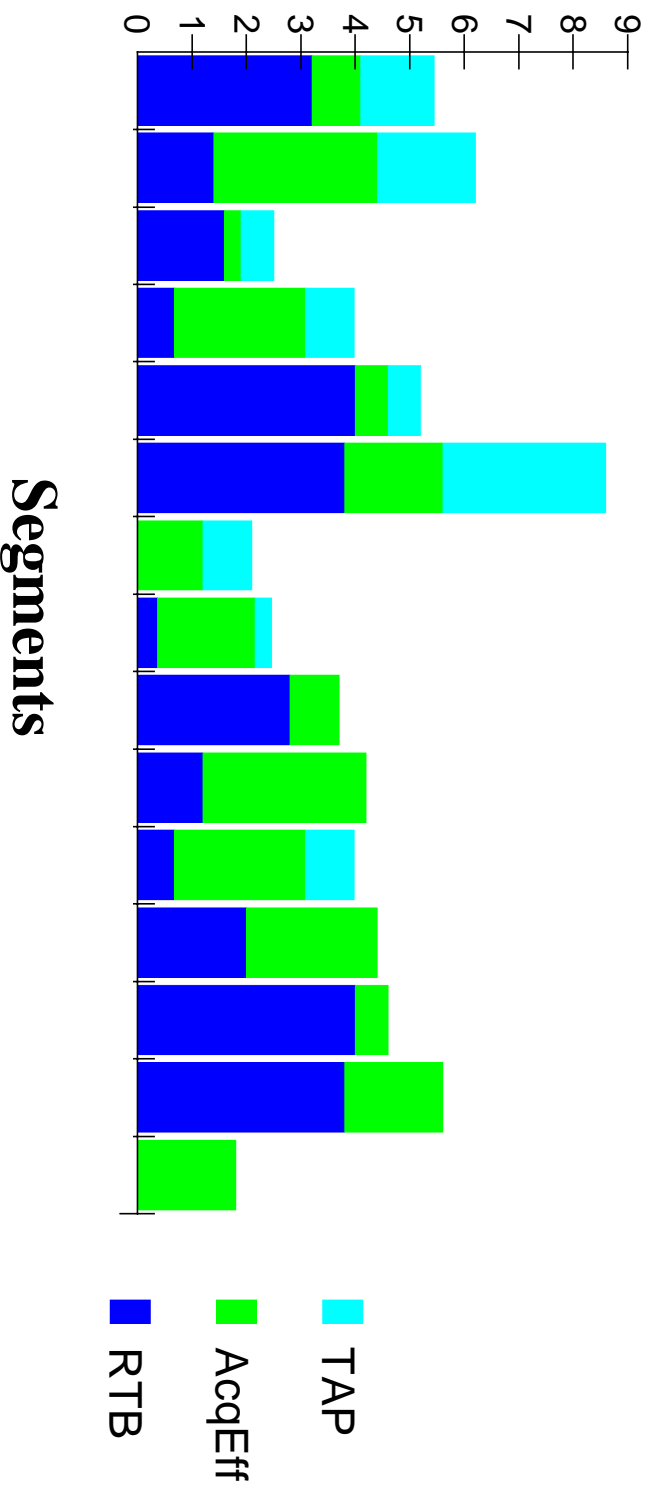
**Expected length
of relationship**

=

**Discounted
Segment
profitability**

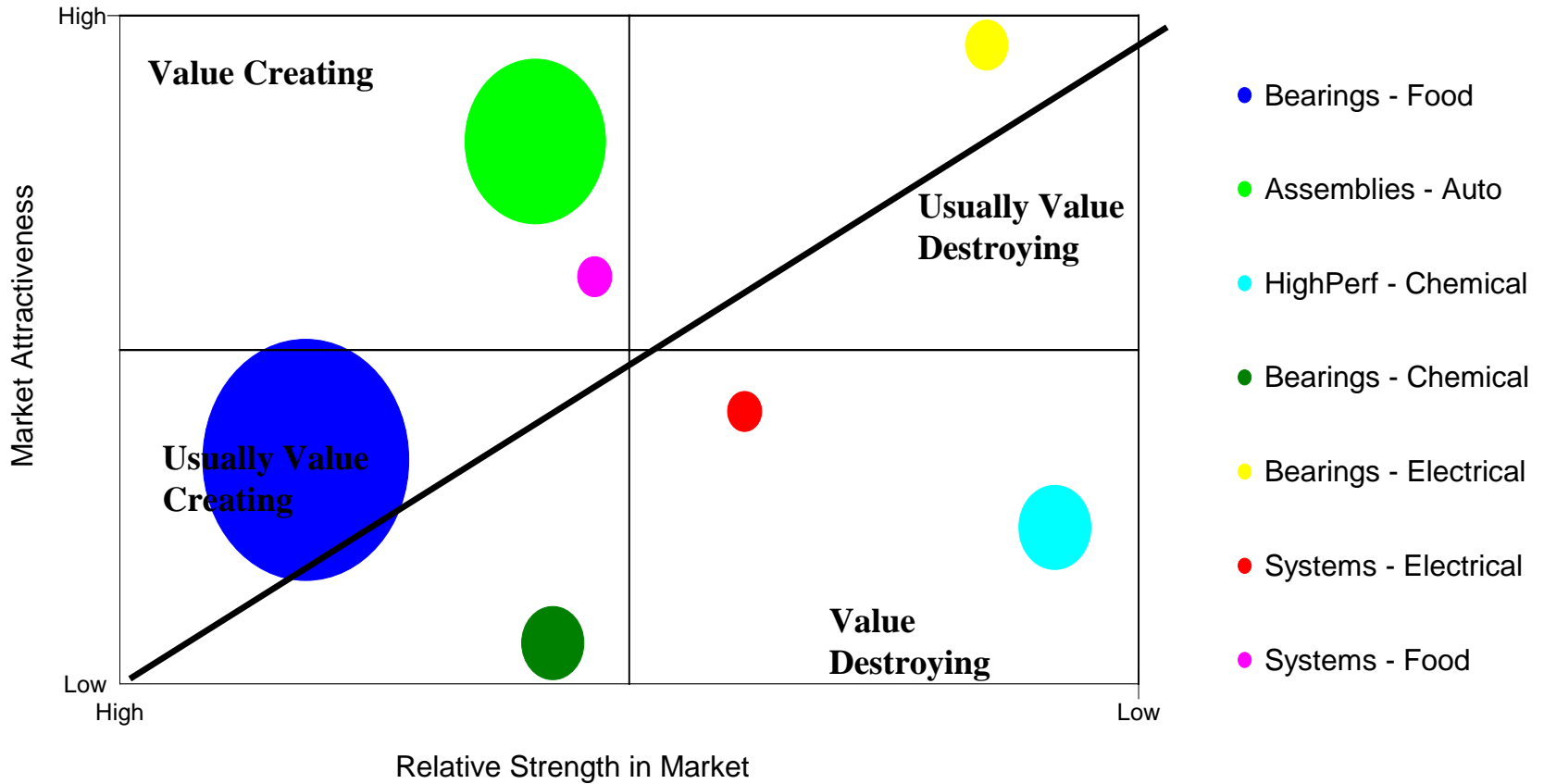
MAFs

MAF Bar Chart

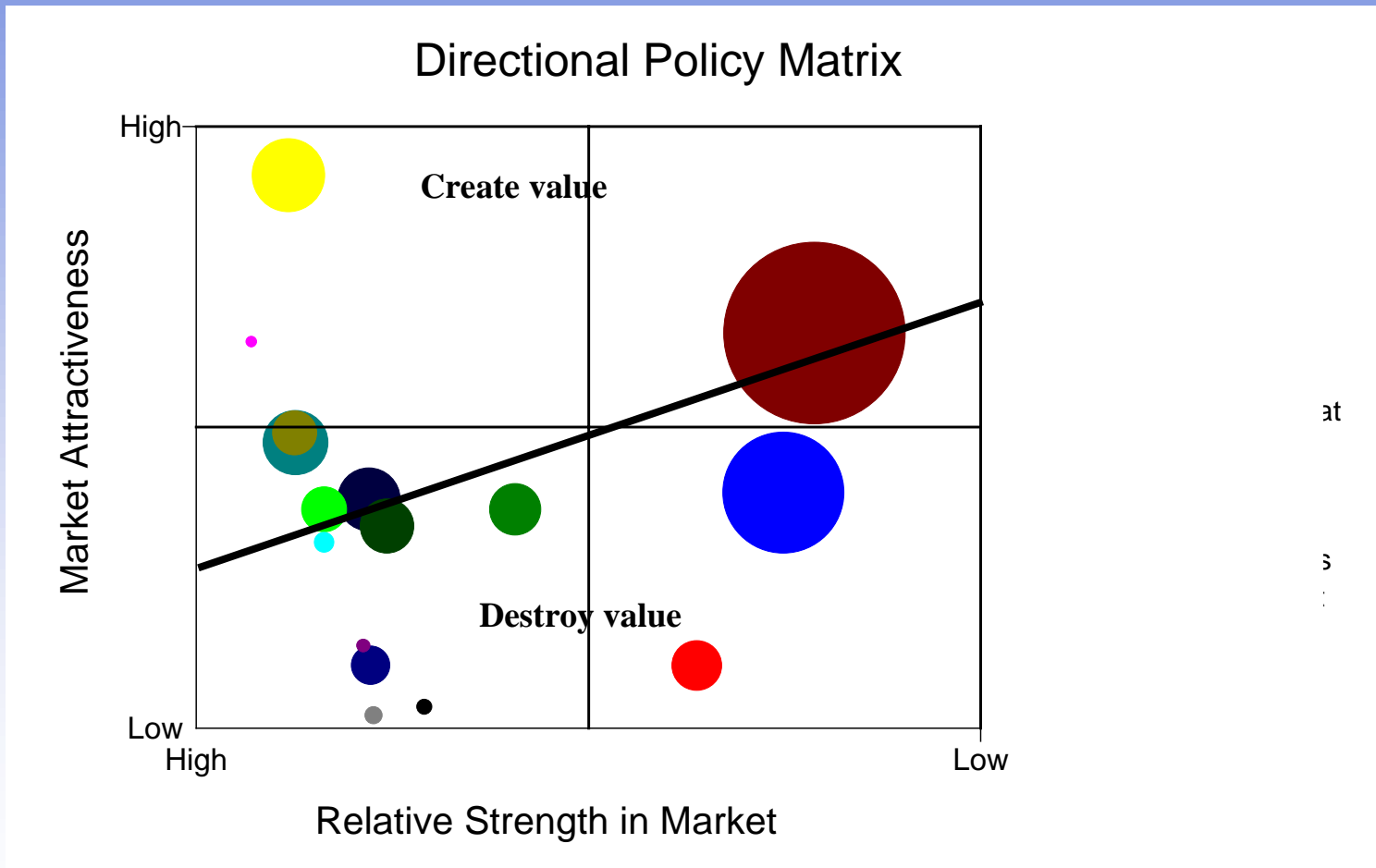


Impact on Shareholder Value

Directional Policy Matrix



Market Volume



at
s
:

Strategy

The selection of key segments and their CSFs should be the key driver for strategy and metrics

How Marketing Strategy and Customers Impact Shareholder Value

