

Market Mapping and Market Segmentation

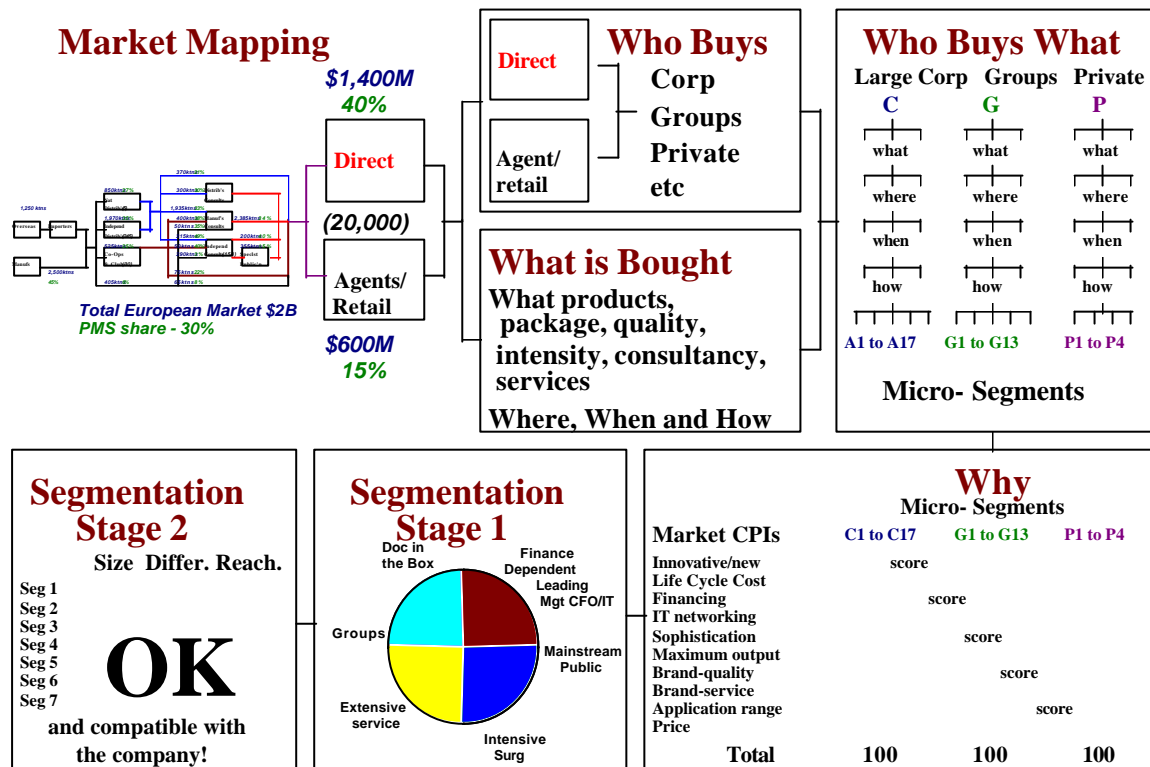


The
**Marketing
Process**
COMPANY

Market Mapping and Market Segmentation

A market map defines the distribution and value chain between supplier and final market segment, accounting for the various buying mechanisms and influencers found in a market. Market segmentation identifies those groups of customers whose similar requirements can be satisfied by a distinct marketing mix.

The Marketing Process Company has developed processes and software to help define both these inter-linked pre-requisites to successful strategic marketing planning. The software tools, **MMap** and **Market Segment Master**, can be used in support of the 10 stage market mapping and segmentation process shown below, which is incorporated in a series of workshops.



The Market Mapping and Segmentation process, shown graphically above, can be distilled into a 10 step process, as defined by Professor Malcolm McDonald and Ian Dunbar in *Market Segmentation - how to do it, how to profit from it*, and is used to map and segment your market.

10 Step Market Mapping and Market Segmentation Process

1. Define market (need).
 - List the 'needs' being met by the current products, as highlighted by the current customers.
 - The definition should focus around the needs of the final customer (i.e. the final user.).
2. Set parameters for analysis (i.e. specify what is to be included / excluded).
3. Estimate RAM (Realistically Available Market) i.e. that part of the market in which your organisation can realistically compete.
4. Draw a map of the market your business is segmenting – CURRENT:
 - Identify junctions (i.e. transaction stages).
 - Include stages where influence is brought to bear on the purchase decision [i.e. where influence / advice / decisions occur (not necessarily a transaction) about which products to choose].
 - Draw a total market map – not just the part you currently deal with. This will ensure you understand your market dynamics properly. For example, avoid the word "distributor" if there are in fact different kinds of distributors who behave in different ways and who supply different customers.
5. Initial quantification:
 - Total market volumes (units) / value (revenue) and your organisation's share, which flows through different channels. Guesstimates.
 - No. of businesses / customers which exist at each junction.
6. Draw a map of the market your business is segmenting – FUTURE:
 - Record key drivers (such as e – business) that will have an impact on channel mix.
 - Specify key assumptions.
 - Identify *new* / *emerging* junctions.
 - Need to capture which channels will increase at the expense of others.
 - Adjust total market volumes and your organisation's share, which flows through different channels.
7. Expand detail (preliminary segments). Top-line' picture developed so far may be hiding important differences between customers. Note at each junction on your market map (if applicable), all the currently understood different types of companies / customers that occur there.
 - Sketch out the various sub-junctions separately.

- Construct an outline (as opposed to the definitive picture). Definitive picture can be entered once you have decided at which junction(s) on the map you should be developing segments.
- Highlight companies / customers who make decisions about which product to buy (i.e. split junction into leverage / non-leverage 'members').
- Redraw the market map incorporating the breakdown of junction types.

NOTE:

Market mapping routine may be challenging the traditional lists of company / customer types at the various junctions around whom you currently conduct your marketing effort.

8. Identify the junctions where market segmentation should occur (*Market Leverage Points*) on the Market Map
 - determine which junctions 'own' or 'influence' the purchase decision (i.e. those junctions where a decision is made about which of the competing products/services should be purchased)
 - segment junction ***furthest away*** from the supplier (manufacturer) ***where decisions are made***
 - progressively backtrack along map away from final user towards the supplier
9. If junction 'owns' or 'influences' the purchase decision, ask:
 - Who buys (i.e. dominant profiling characteristics)?
 - What, where, when and how do they buy?
 - Why do they buy (underlying needs from which CSFs derived)?
10. Use process to segment your market into groups of customers who share the same needs, behaviours and current channel preference.

Market Mapping and Segmentation Workshops

The objective of the workshop series is to produce a structure for the defined market, which clearly identifies the different requirements that customers look to be satisfied. These different requirements can then be used to develop the alternative strategies that need to be implemented, to better access the segments and tune the product offers to suit the customer requirements.

It should be noted that most organisations do not have access to the information to produce a definitive segmentation structure that is 100% accurate. However most organisations do have sufficient internal knowledge to produce something that is 'roughly right' and a reasonable starting point. Where this is not the case, the process makes it very clear where the information holes are and the importance of that information. If research is required, the process ensures a rigorous and very targeted brief can be produced.

The Workshop series is structured in three phases, as follows:

1. Market Definition

A market is defined in terms of a need that can be satisfied by the products or services customers view as alternatives. Once this is clear, the boundaries for the segmentation project can be set.

2. Market Mapping

Market mapping is used to develop a clear understanding of how a market actually works, looking at both the routes or channels to market and the role of influencers. A key stage in market mapping is to identify who makes the decision between alternative offers, as it is on these individuals/departments that the segmentation review will focus.

3. Market Segmentation

Having identified the key junctions on the market map, these are analysed to arrive at a segmentation structure. This is achieved by answering the following questions:

- **Who buys?**

Here the output of the market map is captured, by identifying and defining the different types of decision makers such as large corporates, small independents, individuals and so on, along with the revenue associated with their decisions.

- **What is bought, where? when? how?**

The objective of this step is to clearly identify the Key Discriminating Features (KDFs) used by the decision-makers to choose between one offer and another. In an airline example this could involve class of travel, fare type, additional services (chauffeur drive, for example), schedule, airport, loyalty programmes, agency, direct and so on.

- **Who buys what?**

The different types of decision makers identified earlier in the process are then broken down into a series of micro-segments, to reflect the different 'purchase bundles' they put together.

- **Why do they buy?**

As segmentation is about splitting customers or potential customers within a market into different groups or segments, (within which customers have the same or similar requirements), understanding the real needs customers are trying to satisfy by the purchase bundle they put together is a crucial step. This information is converted into Critical Purchase Influences (CPIs). For example, some segments will be influenced by service and convenience, others by price and so on.

It should also be noted that CPIs may relate to how the micro-segment wishes to be served. For example some large customers may wish to be served by a single point of contact for all their needs, in which case they would be reached by the channel serving those needs; for other micro-segments the Internet may represent the best way to serve the customer.

The final part of this phase involves mapping product groups onto the identified segments to produce an Ansoff Matrix, which defines the **product-markets**.

Ansoff Matrix

		PRODUCT OR SERVICE	
		Existing	New
MARKET	Existing	Market Penetration	Product Development
	New	Market Extension	Diversification

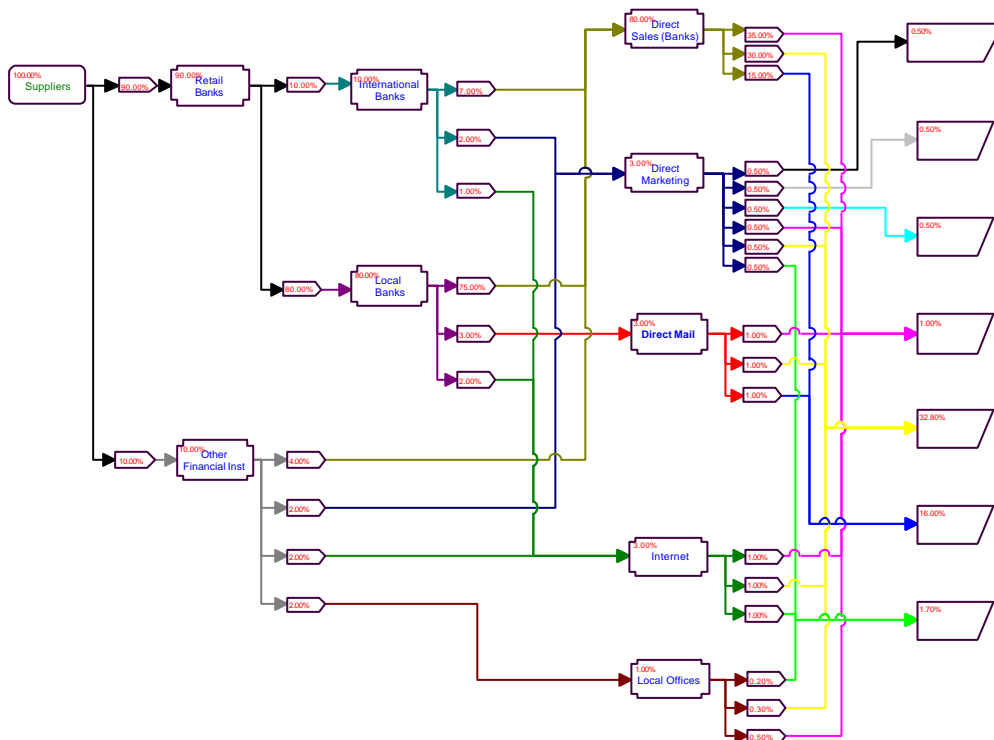
Define Ansoff Matrix				
	Bearings	HighPerf	Assemblies	Systems
Auto		Y		
Chemical				Y
Food	Y		H	
Electrical	Y			Y

MMap - The Market Mapping Tool

Market Mapping Tool is used in-house by The Marketing Process Company and allows the production of market maps quickly and simply. These are some of its features:

- MMap introduces a uniform language for market maps
- By adopting a single, consistent approach, MMap enables The Marketing Process Company to produce a series of market maps to allow easy comparisons between markets
- Maps constructed by MMap will be structurally and numerically consistent
- MMap is versatile enough to allow comparisons of volumes and values and their percentages and market shares
- Market maps may be easily exported to a word processing or presentation package
- The structure of the map is continuously checked whilst drawing to ensure consistency
- Each map is produced in full colour. A re-colouring tool facilitates viewing of :
 - routes through a channel
 - the influencers of a particular channel and who the channel consequently influences
 - routes into and out of a channel by unique colouring by channel.

An example Market Map for a fictitious financial service market, (produced using Mmap), shows the source of supply, market channels and (un-named) product/market segments.

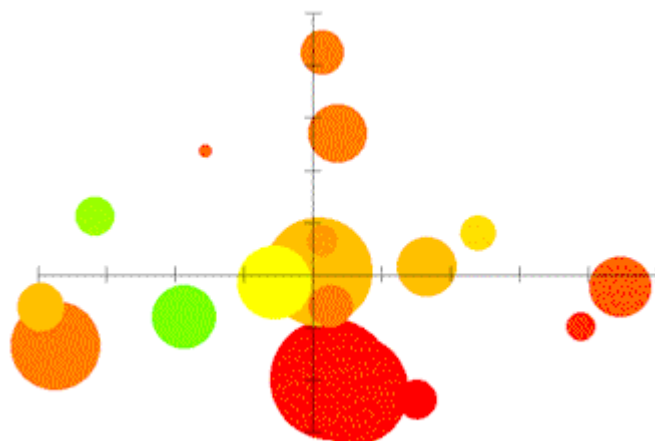


Market Segment Master® - the Market Segmentation Tool

Often companies sell products and services into horizontal segments. In these cases, the product offer maps onto how the customers run their business, and segments are often hard to identify in a way that will give maximum leverage in the marketing plan. To help solve this problem, we have developed a set of tools (MSM – Market Segment Master) and processes for analysing existing and potential customer data, and generating and sizing segments.

The tool automatically segments on the basis of similar attributes, which either directly map onto needs, or can be used to define needs. One of the great advantages of the tool is that, as well as generating segment descriptions, it lists potential customers who belong to each segment.

A number of novel outputs are produced in order to show the size and relationship between the clusters found. As an example, below is shown a Spread-Cluster Map.



The colour of the discs represent the strength of a chosen feature (red graded to green which represents high strength), the diameter represents the number of customers in a cluster and the distance between the discs represents the relative difference between clusters.

MSM and Market Segment Master are registered trademarks of Prof Malcolm McDonald and Ian Dunbar.