

Knowing your customers 2

A

Segmentation

A segment is a group of customers or potential customers with similar characteristics, needs and requirements. Segmentation, which can be done in various ways, allows marketers to identify and differentiate between the needs of the target groups of customers that make up a particular market. They may offer different products to different segments, or the same product, marketing it in different ways. For example, power tools are designed and marketed differently for professional users and do-it-yourself enthusiasts.



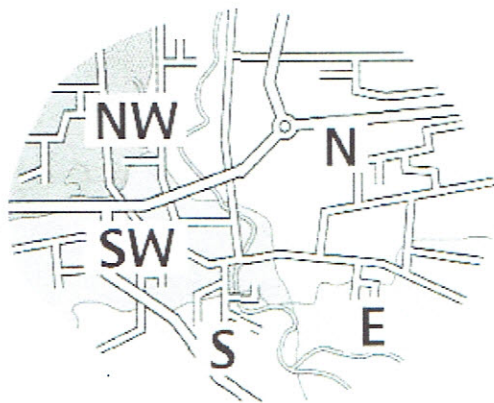
Note: 'Segment' is also used as a verb.

B

Customer groups: demographic and behavioural segmentation

In demographic segmentation customers are divided up on the basis of occupation and social class: middle class, working class, etc. In the UK, marketers classify customers demographically as:

- A professionals such as senior business executives and senior civil servants
- B people with very responsible jobs such as middle managers, heads of local government departments, and so on
- C1 all others doing non-manual jobs: technicians, nurses, etc.
- C2 skilled manual workers
- D semi-skilled and unskilled manual workers
- E those on the lowest income levels, such as pensioners.



In Britain, marketers also use a system called ACORN, which is a classification of residential neighbourhoods, a system that assumes that people from a particular area will have a similar social background. It can be used to predict likely purchases of everything from cat food to financial products.

Customers can also be divided up by behavioural segmentation: why, when and how often they buy a particular product, their attitude towards it, etc. Identifying people who eat popcorn at the cinema is an example of behavioural segmentation based on situation of use.

C

Customer groups: lifestyle and psychographic segmentation

People from a particular social class may spend their money in particular ways, but it can be more useful to look at people's lifestyles, the overall pattern of how they live, what they buy etc. Here, values, opinions, activities and interests are important.

Psychographics is the activity of attempting to categorize people in this way. For example, the VALS system¹ divides people into groups such as *Fulfilleds*: mature people who like solid products that give value for money, and *Experiencers*: young, impulsive people who spend a lot on clothes, music, etc.

This information is often collected by means of questionnaires used to profile different kinds of buyers.

¹ You can do the VALS questionnaire and get your own VALS profile at the SRI Consulting Business Intelligence site: www.sri-cb.com