



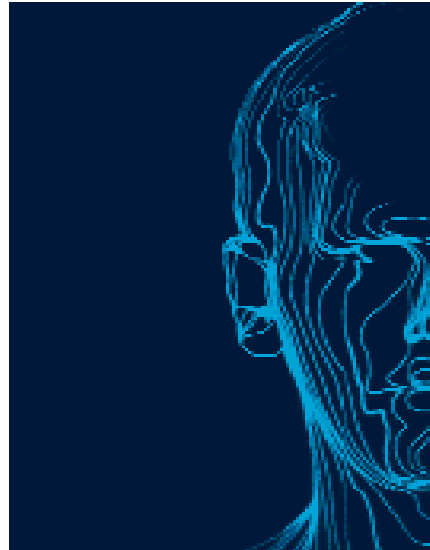
Market Segmentation - the only known antidote to 'Death by Vanilla'

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Agenda

1. The obsession with 'vanilla'
2. The market strategy solution
3. Segmentation - the key





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The obsession with 'Vanilla'



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First, some Data

Research of 6,000 companies worldwide (PA Consulting Group 2003) found:

1. 97% of CEOs believe their priority is to create long-term value for shareholders.
2. There are two ways that value can be created within companies
 1. Operating at a cost advantage compared to others
 2. Create a superior differentiation that supports a price premium over others
3. The research found that, on average the latter is three times more influential than the former in creating value

Differentiation 1

Stern Stewart (US) compared brand characteristics (consumer ratings between 1993-1995) with Company financial performance (1993-95, 95+)

They compared four components (Y&R) of Brands:

1. **Knowledge** - understanding of the product/service
2. **Esteem** - regard for the brand (evaluation)
3. **Relevance** - personal appropriateness of the brand
4. **Differentiation** - perceived distinctiveness of the brand

Source Stern Stewart

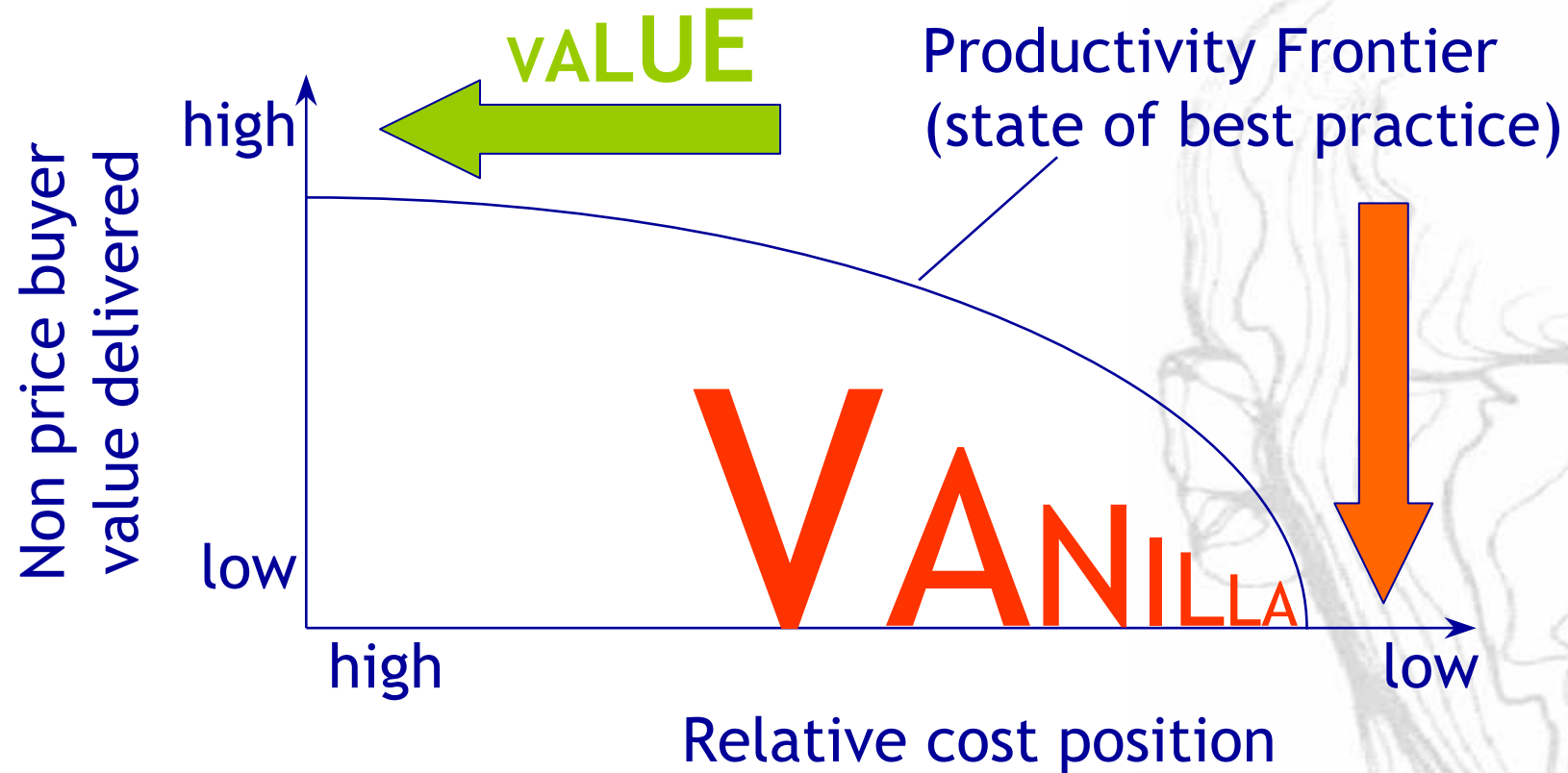
Differentiation 2

They found that:

1. If differentiation grew in the period 1993-95, earnings grew by **average 195%**
2. If differentiation declined in the period 1993-95, earnings decreased by **average 15%**
3. If differentiation growth $>$ relevance growth 1993-95, earnings increase by **average 211%**
4. If relevance growth $>$ differentiation growth in 1993-95, earnings increase by **average 59%**

Source Stern Stewart

But still the 'lemmings' dominate....



[Porter 1996]

The eternal quest for 'Vanilla'

- In the quest for productivity, quality and speed, companies imitate one another in a type of herd behaviour
- Driven by desire to 'grow' (sales and volume), this creates unnecessary 'hyper-competition'
- Operational Efficiency is necessary, but it is not sufficient to win **and it is not strategy**

[Porter 1996]

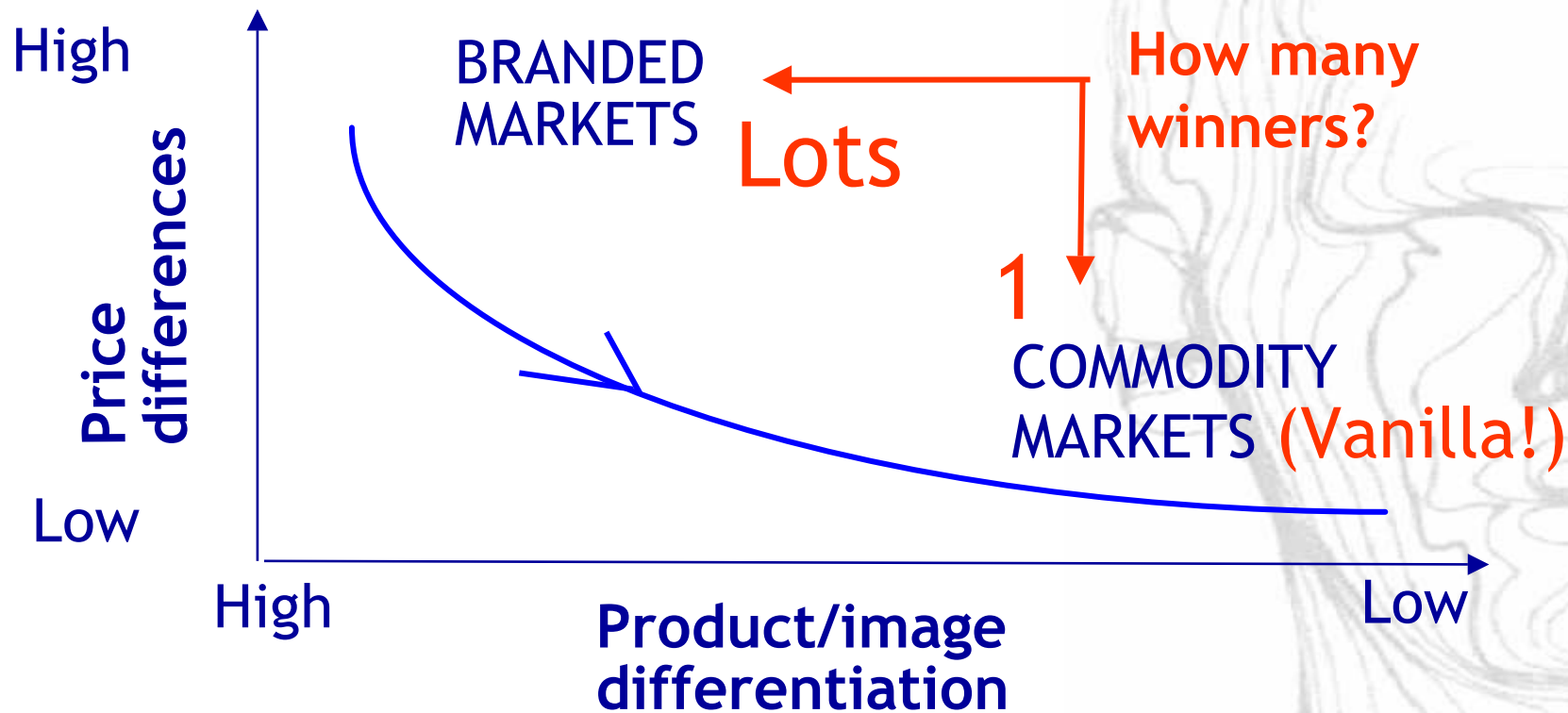
The problem



Who's got time to think anymore?

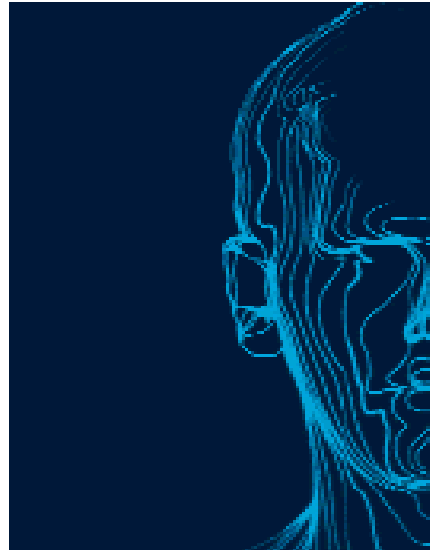


The ~~commodity~~ Vanilla slide



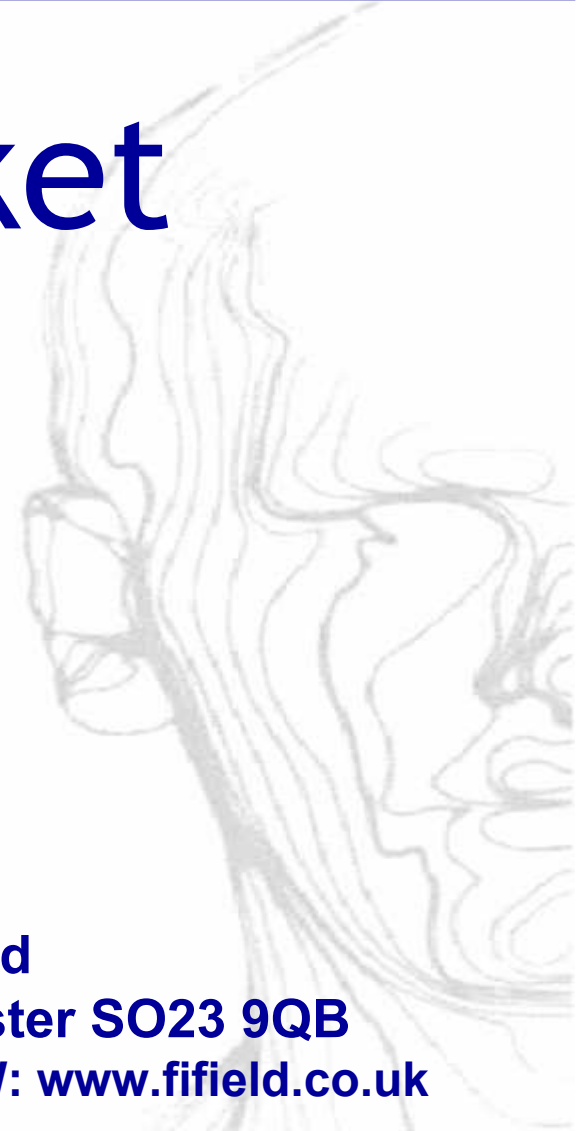
Why worry?





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The market strategy solution



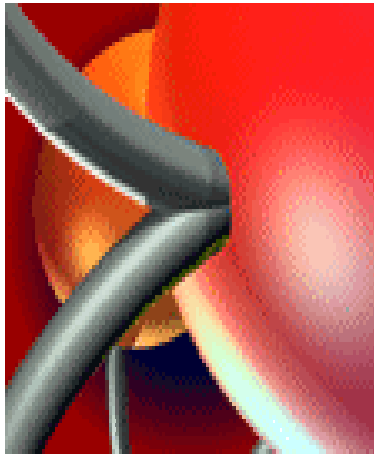
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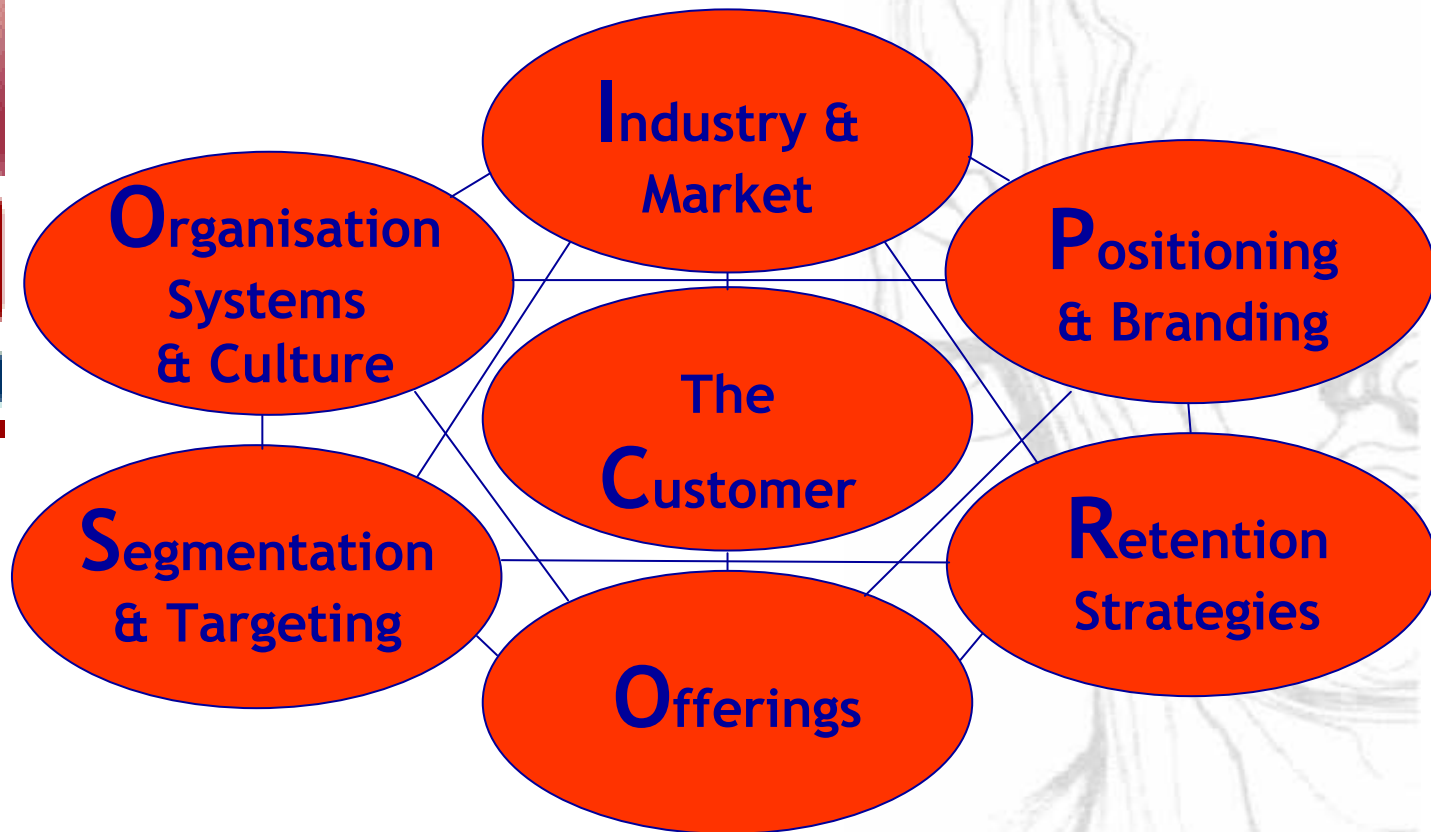
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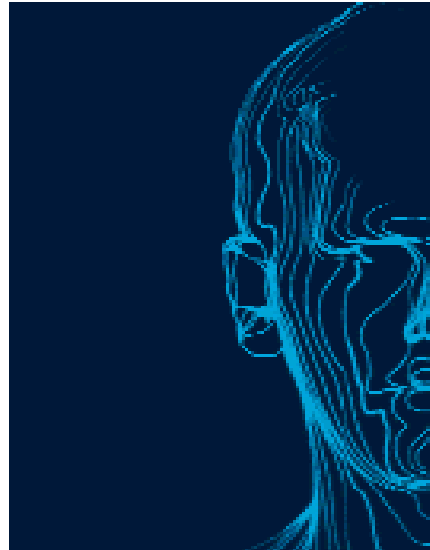
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SCORPIO Marketing Strategy



SCORPIO
BY PAUL FIFIELD





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Market segmentation - the key



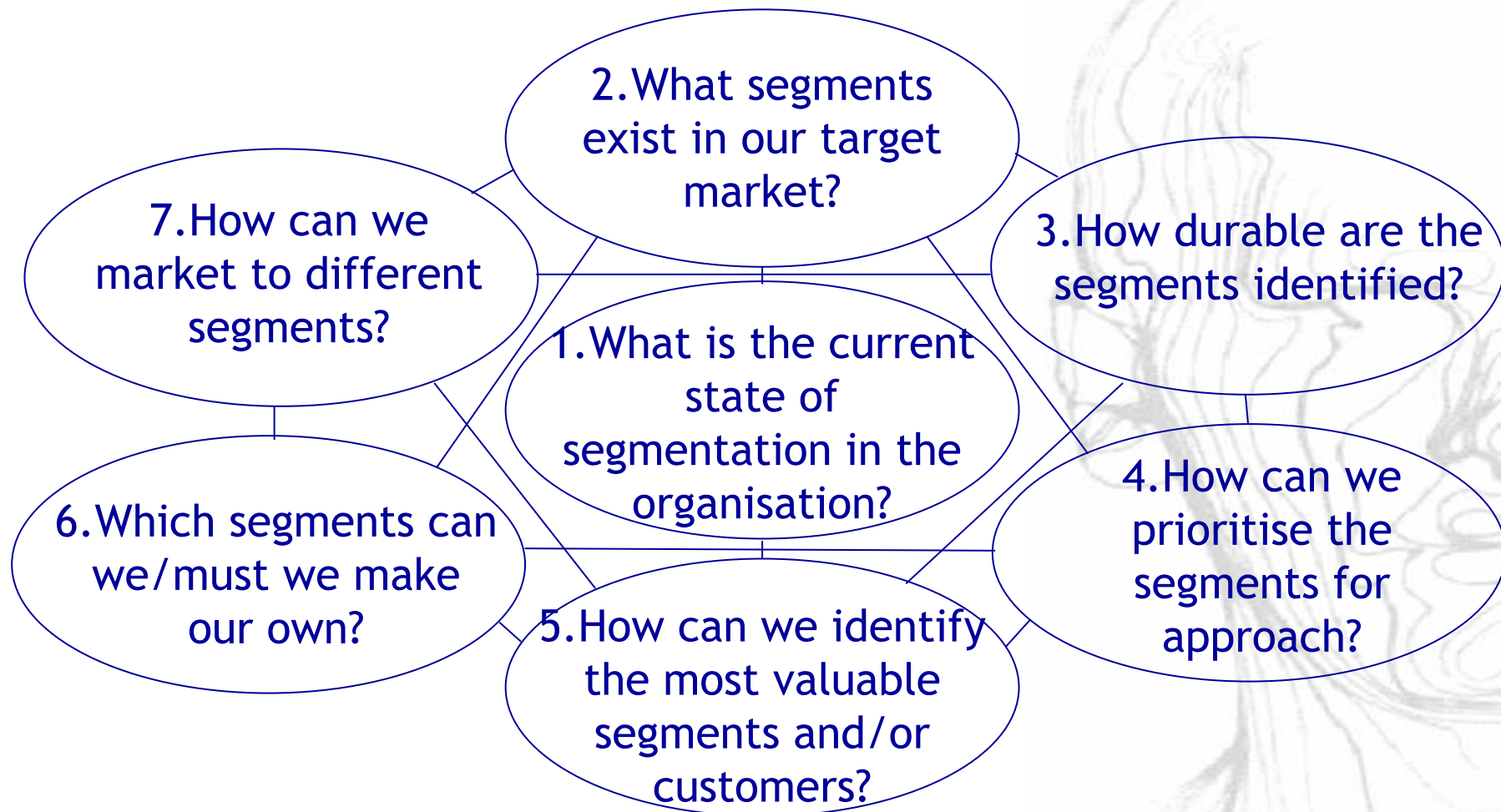
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Scorpio[©] - 3. Segmentation & Targeting



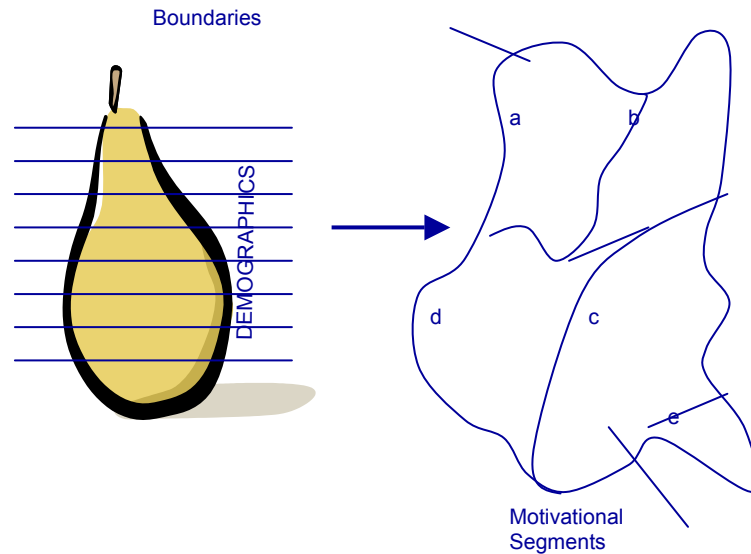
Segmentation is..

“The subdividing of a market into homogeneous subsets of customers, where any subset may conceivably be selected as a market target to be reached with a distinct marketing mix.” - Kotler

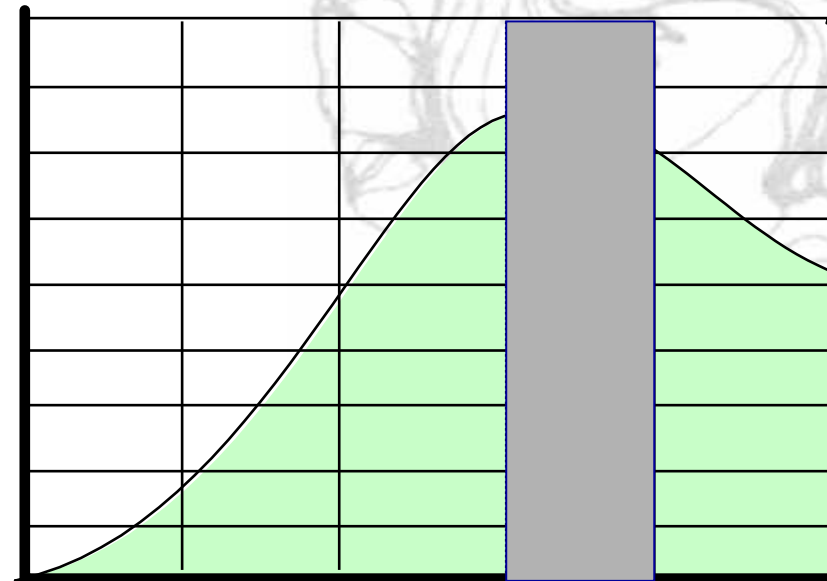
- Accepting that the 'Mass Market' is DEAD
- Identifying groups of customers and prospects who are alike in some important way
- Understanding the differences
- Marketing to the segments separately
- Increasing 'value' if not 'volume'
- Remembering that - **One size does NOT fit all!**

Segmentation is hot news

WHAT IS MARKETING SEGMENTATION?

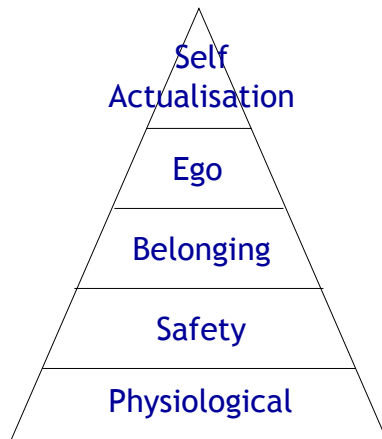


WHY IS MARKET SEGMENTATION TOPICAL?

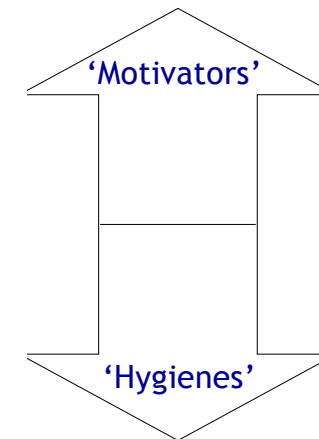


Choose your model

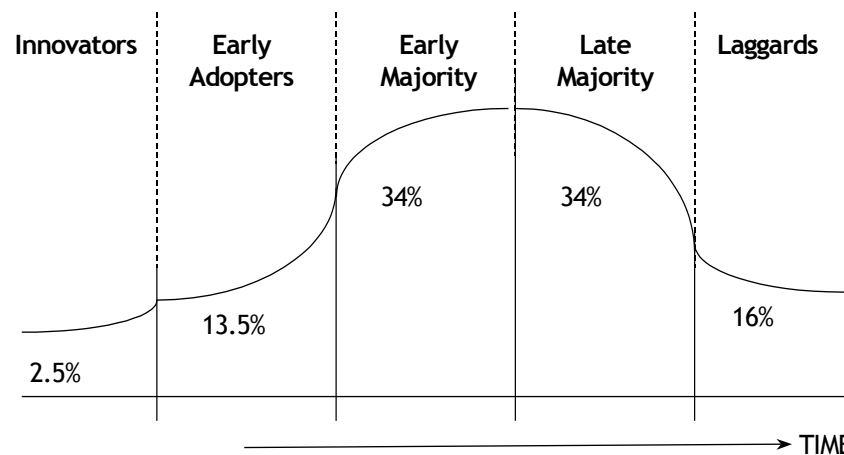
From Maslow....



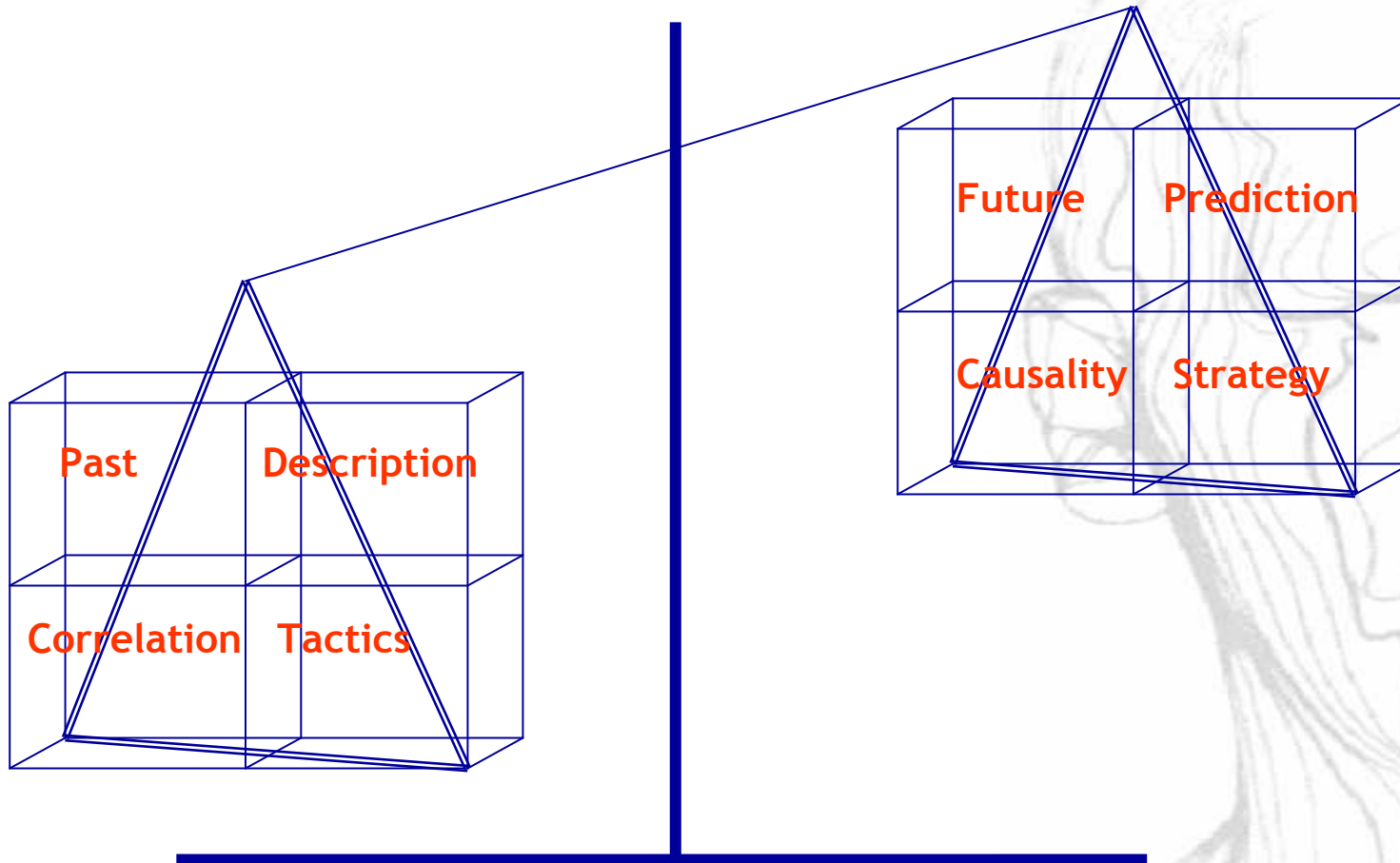
And Hertzberg....



Diffusion of innovation



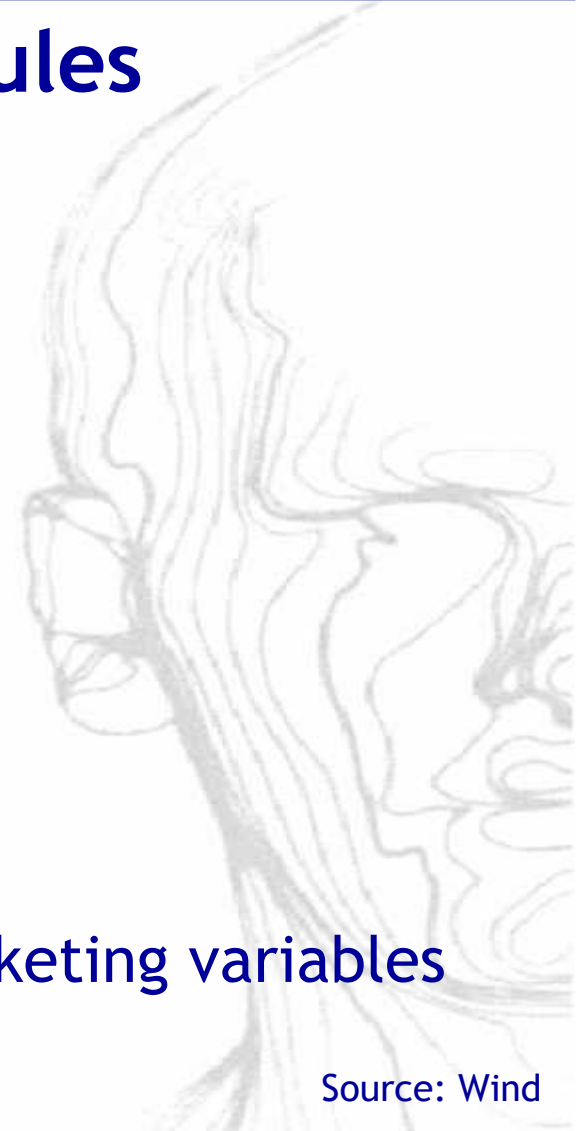
But Segmentation is not easy



Market segmentation ... the rules

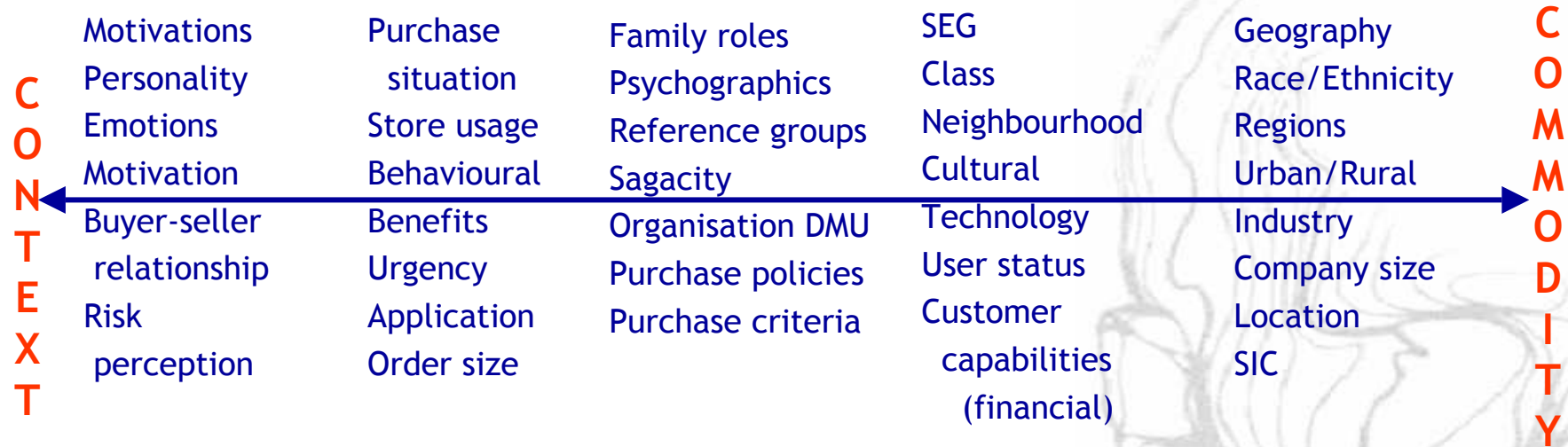
Segments must be:

- 1 Measurable
- 2 Accessible
- 3 Substantial
- 4 Mutually exclusive
- 5 Homogeneous in response to marketing variables



Source: Wind

The Choice is Yours ...



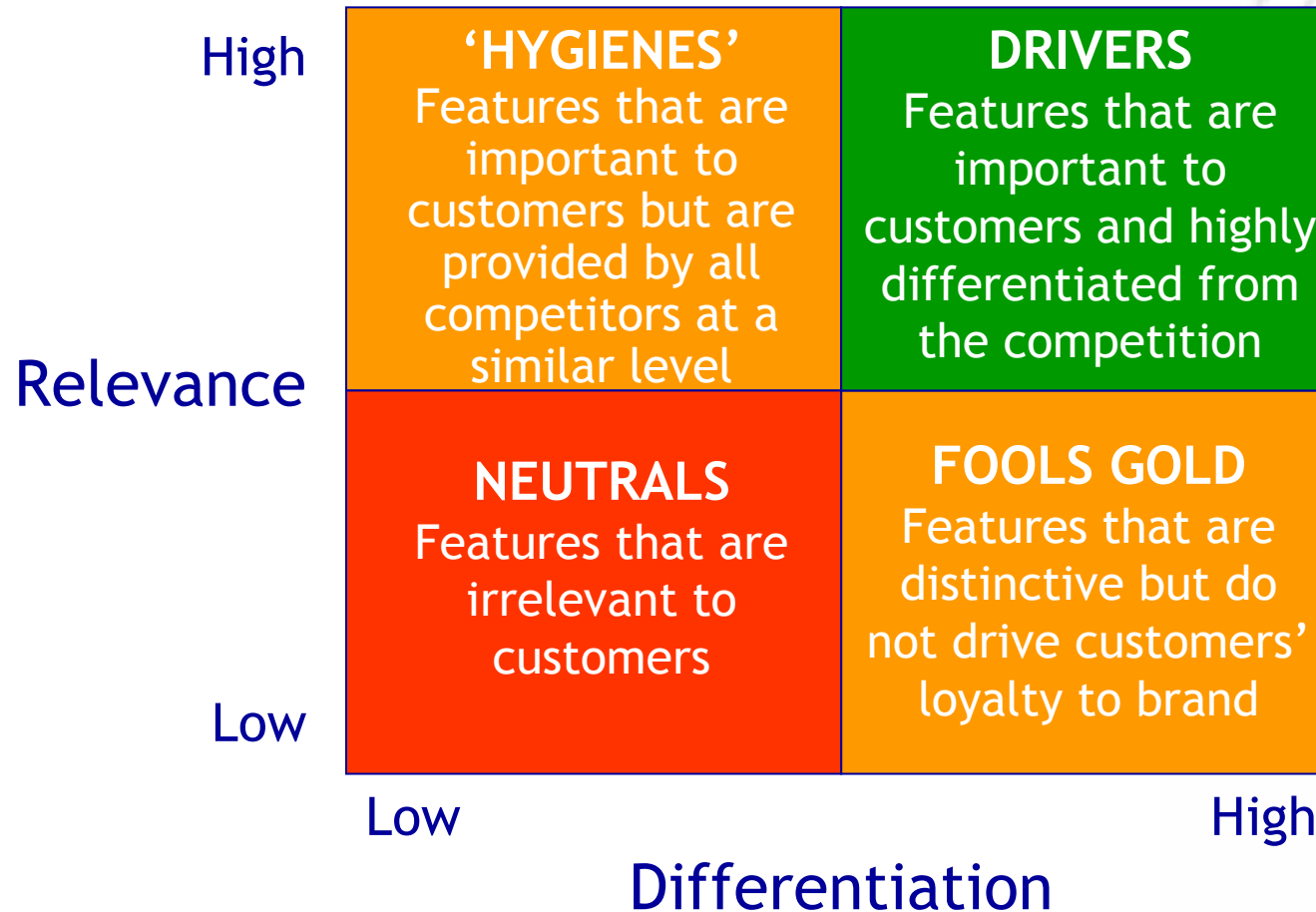
MOTIVATIONS

- Difficult
- Effective
- Segmentation
- Longer Term
- Strategic
- Wider Change

DESCRIPTORS

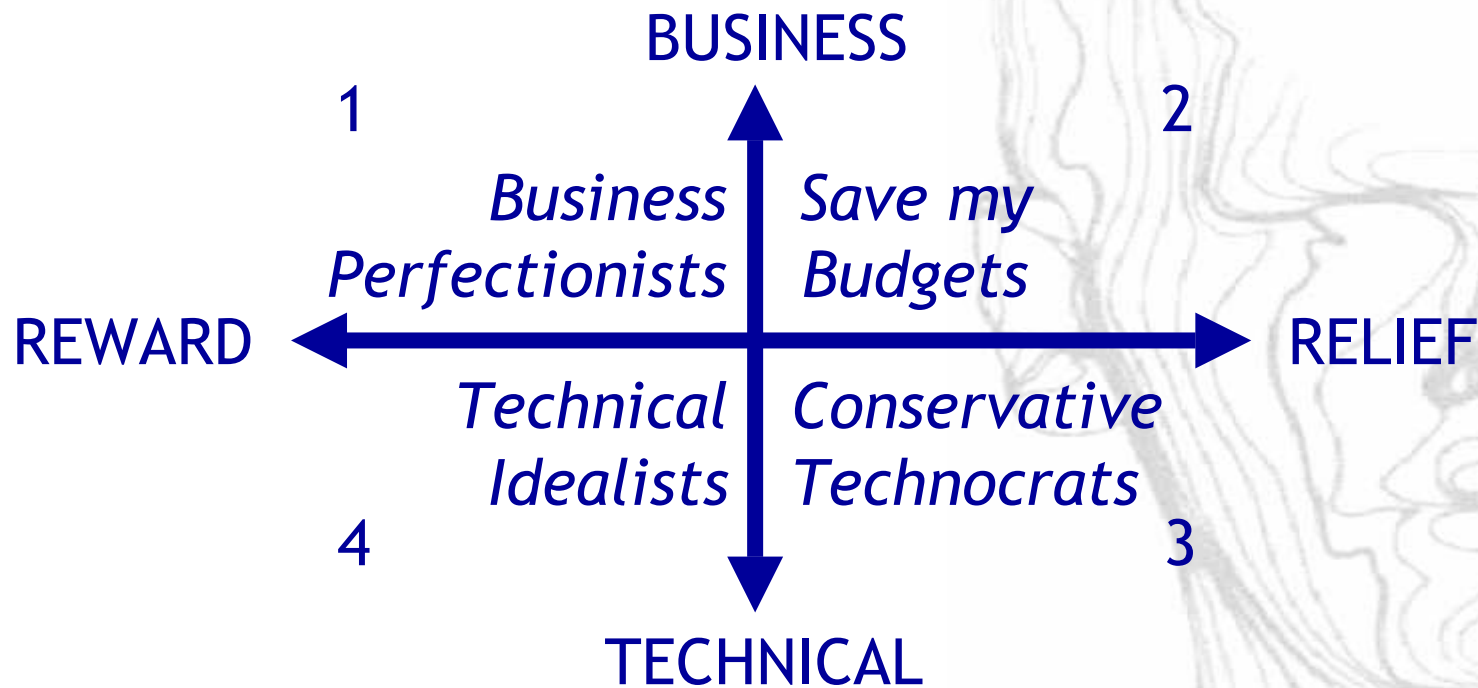
- Easy
- Efficient
- Classification
- Quick Wins
- Tactical
- Little Change

Then market the 'right' things

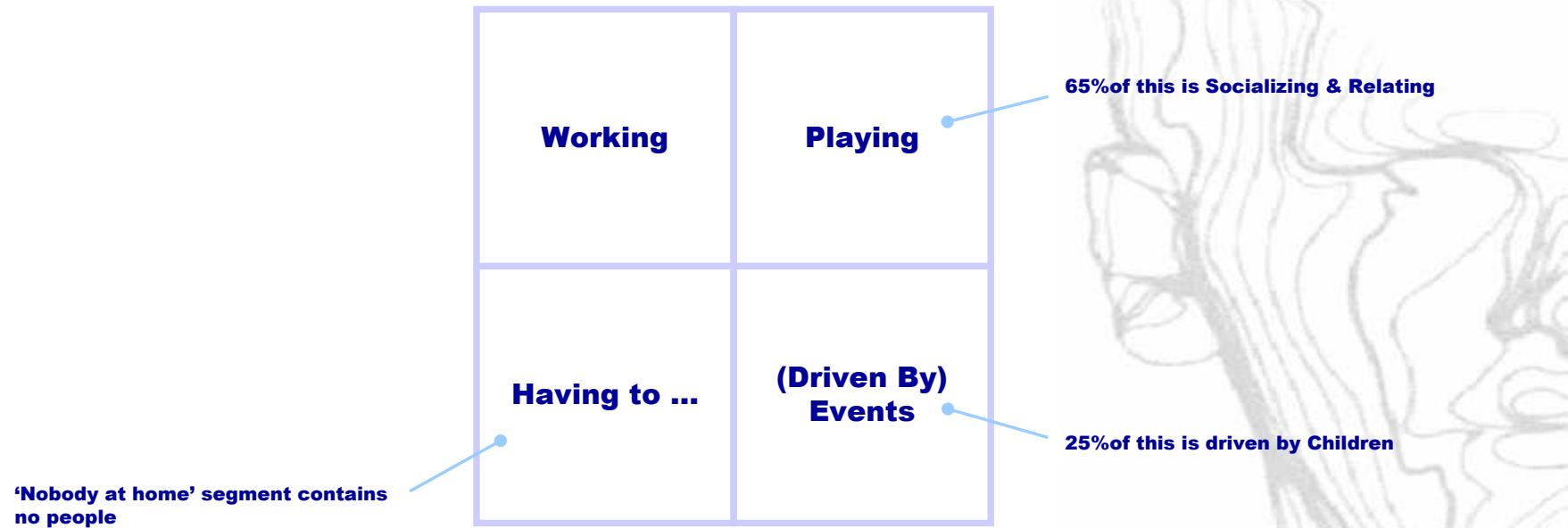


Adapted from: Aufreiter, Elzinga, and. Gordon, 2003

Example - Motivational segmentation for the IT sector (generic)



Example: Communications Market



Example: Information Prior to Purchase



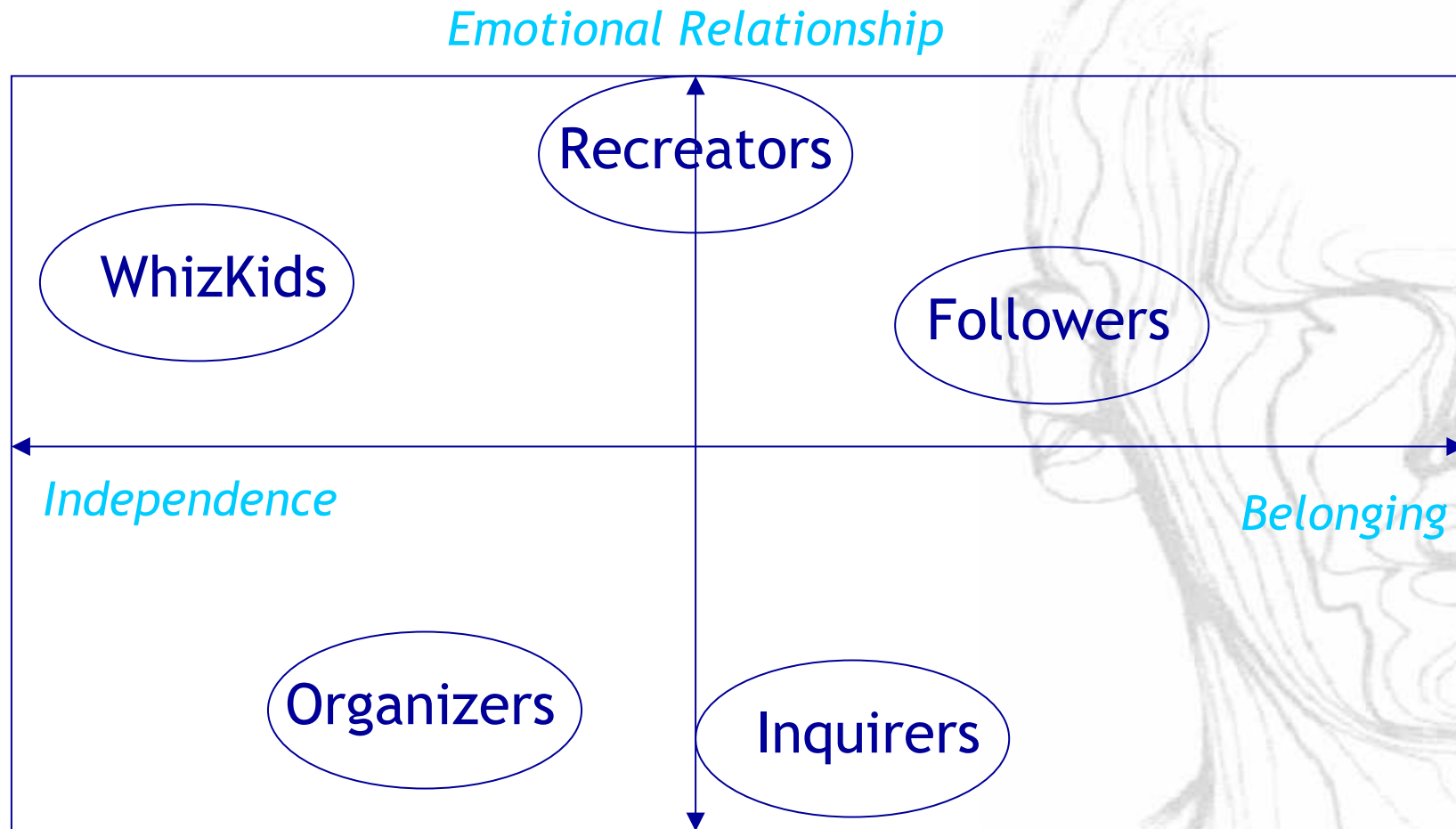
The Fearful 5%	Necessary Chores 11%	Apathetics 14%	
Drudgery 17%	Hedonists 15%	Brand Driven 10%	Taoists 27%

Example: Communicating with customers, small business

Strugglers 31%	Trying to get better 17%	Arthur Daley 7%	
Are you being served? 10%	Steady as she goes 11%	Business first 14%	Making a name 6%



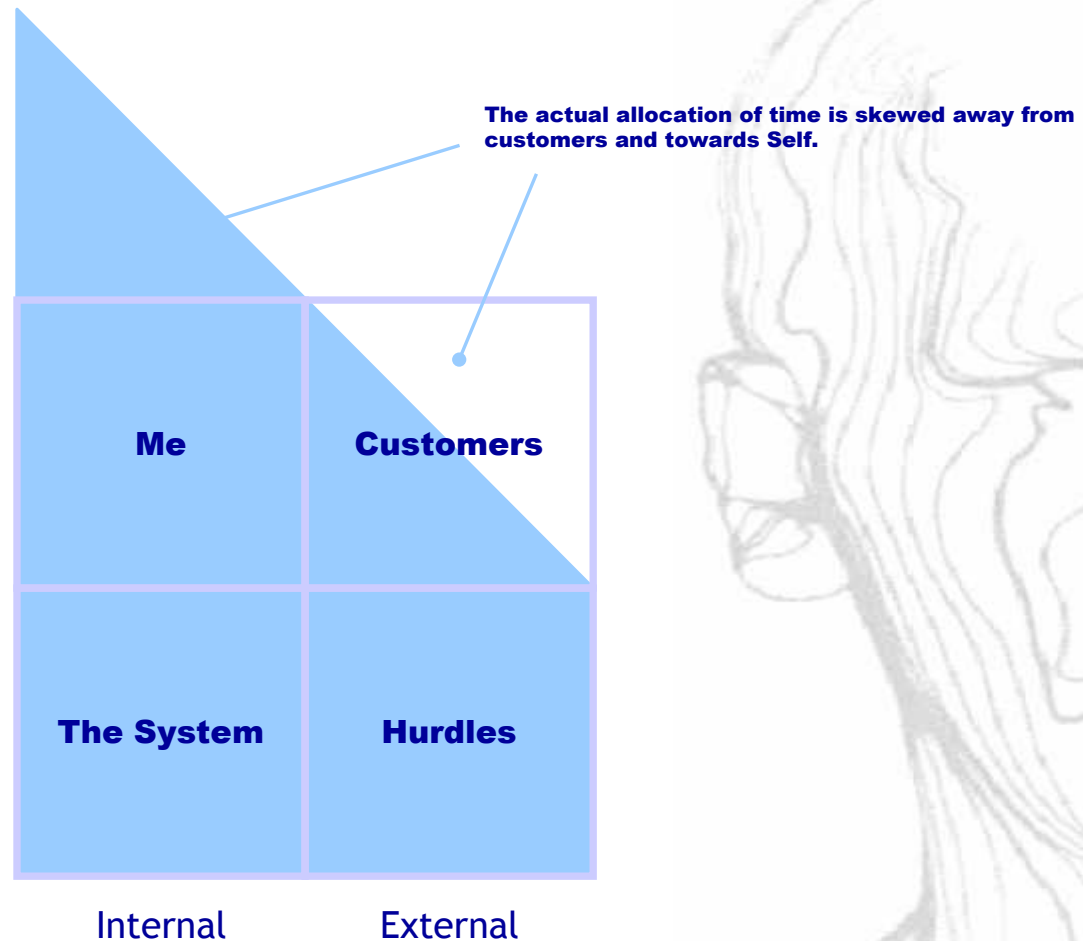
Example: Internet usage & 'service'



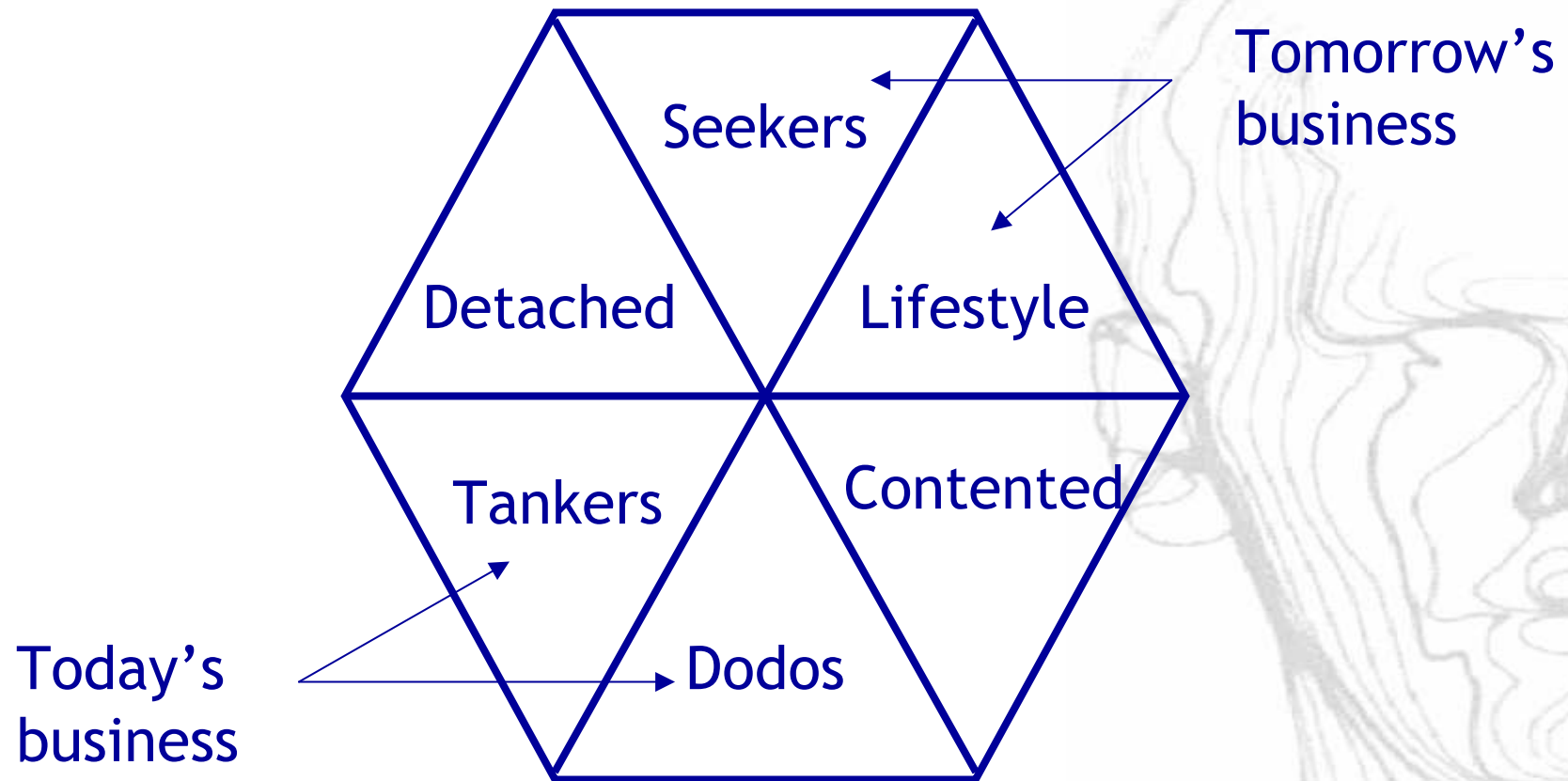
Example: 'Life Transitions'

Adventure & Fun	Dealing with Family 'Stuff'	Preparing	Escaping				
Missing Things	Developing Maturing & Growing	Inner Searching	<table border="1"> <tr> <td rowspan="3" style="writing-mode: vertical-rl; transform: rotate(180deg);">Worrying</td> <td>Personal strength</td> </tr> <tr> <td>Being away</td> </tr> <tr> <td>Coming back</td> </tr> </table>	Worrying	Personal strength	Being away	Coming back
Worrying	Personal strength						
	Being away						
	Coming back						

Example: Directing a UK company



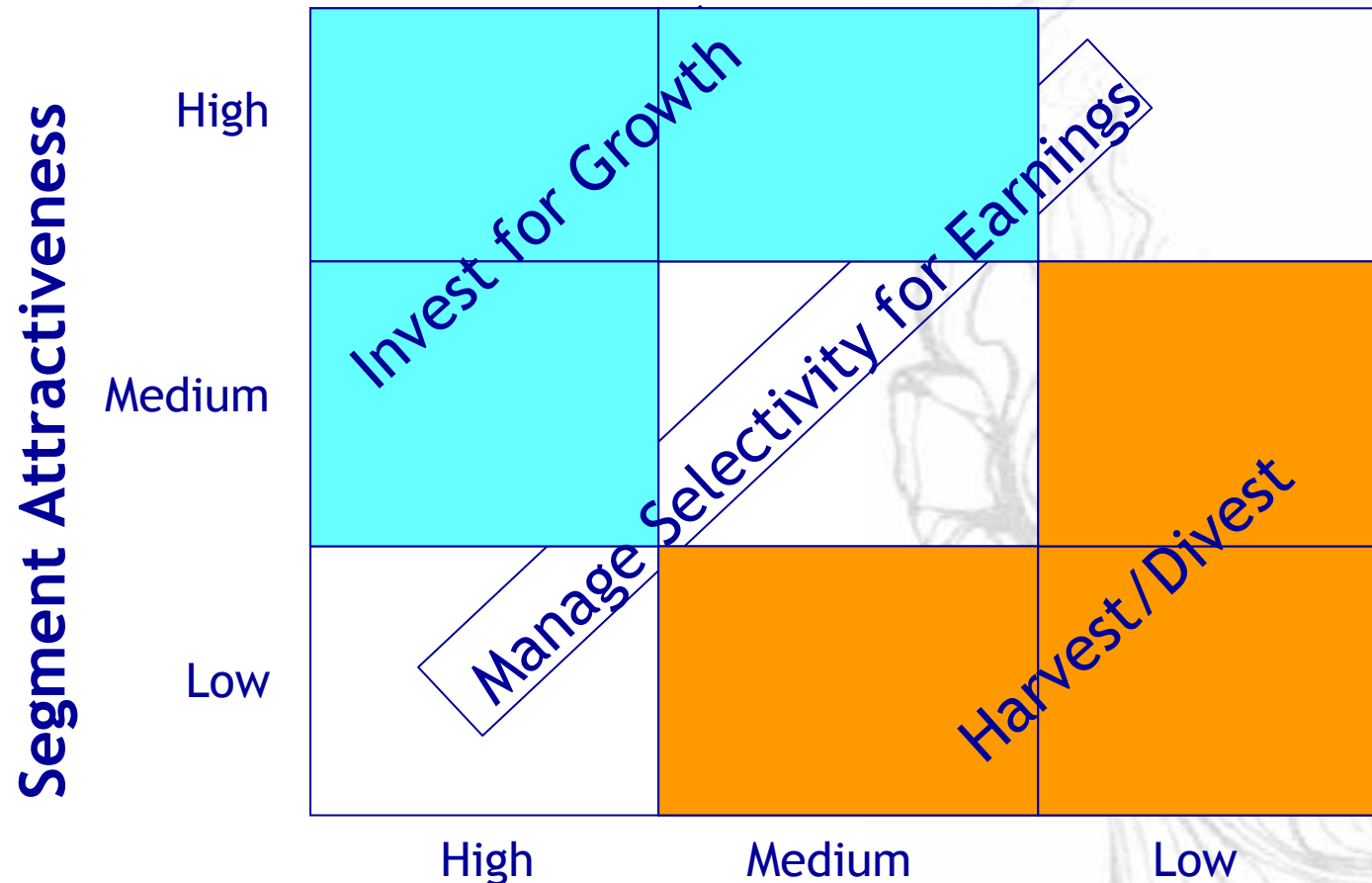
Example - Business growth



Segment Prioritisation - 1

- Prioritisation is required to:
 1. Focus the organisation on the most attractive segments
 2. Create enough effect with limited resources that there is market impact (Avoid the 'Marmite method')
 3. Identify which market segments the organisation should not be addressing - and might transfer to the competition

Applying the GE Matrix



Our relative Business Strengths

Making the calculations

There are a number of steps in the process:

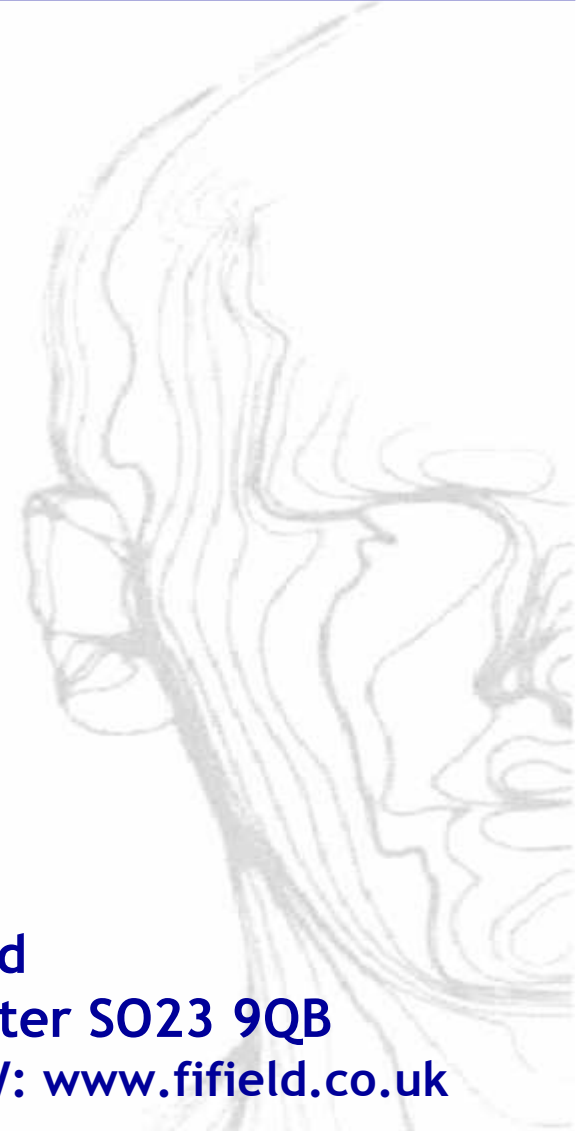
1. What business are we in?
2. What are the key success criteria in our business?
 - What is the relative importance of these issues? (Total = 100%)
 - How do we believe that each segment will deliver on the individual success criteria? (Scores out of 5)
3. What are the key determinants of business success (for all players) in our business?
 - What is the relative importance of these issues? (Total = 100%)
 - How do we believe that we score on each criterion within each segment, relative to the competition? (Scores out of 5)

What can segmentation do for you?

THE PAIN	THE GAIN	
Investment	Tactics	Strategy
<ul style="list-style-type: none"> • More Research • Higher Costs of multiple markets • Complicated administration • Possible re-organisation costs • 'Inefficient' production system • Lower economies of scale • Changing 'habits' of the organisation 	<ul style="list-style-type: none"> • Better targeting • More efficient promotion • Less marketing 'wastage' • Improved retention • Improved 'service' levels • More effective production • Higher prices • Focused NPD 	<ul style="list-style-type: none"> • Unique customer propositions • Clear market positioning • Differentiation • Brand values • Retention, 'Loyalty' & Relationships' • Sustainable competitive advantage • Market influence • Market leadership • Premium prices • Profitability



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