

DEVELOPING VALUE PROPOSITIONS FROM MARKET SEGMENTATION

A CLIENT CASE STUDY

This case study is based on a major project that we undertook for a leading international financial institution in 2014/15 which covered one of its UK divisions.

Key Learning Points

The client was able to achieve a number of changes in the business as a result of the project:

- Focusing on the *real* business needs of customers
- Identifying groups of customers with common requirements
- Developing a specific value proposition for each of the segments
- Prioritising the segments (and customers within the segments)
- Structuring the firm's sales and marketing activities to meet these customers' needs

Background

The division had over 400 customers, who were managed either by the internal sales team or an external sales team

There was no formal differentiation between the treatment of customers, with each member of the internal and external sales team set broad financial targets. The focus was typically on selling products, with insufficient understanding of the customer's real needs. This was taking place in a dynamic market with movement between competitors, embracing acquisitions and a changing technology.

Objectives

Recognising the largely reactive nature of the sales and marketing effort, the client wished to get a much better understanding of the customer groupings based on the customers' own business needs. This would enable them to proactively deliver a more effective service and increase their sales, market share and profitability. A more market-focused approach was also seen as important.

How we approached it

After meeting individual members of the senior management team and all of the sales team, we interviewed their customers by telephone. The conversations covered:

- The current and future business of that customer
- Their use of companies supplying our client's products and services, both now and in the future
- Their business requirements from these suppliers
- Their top three requirements
- Feedback on our client

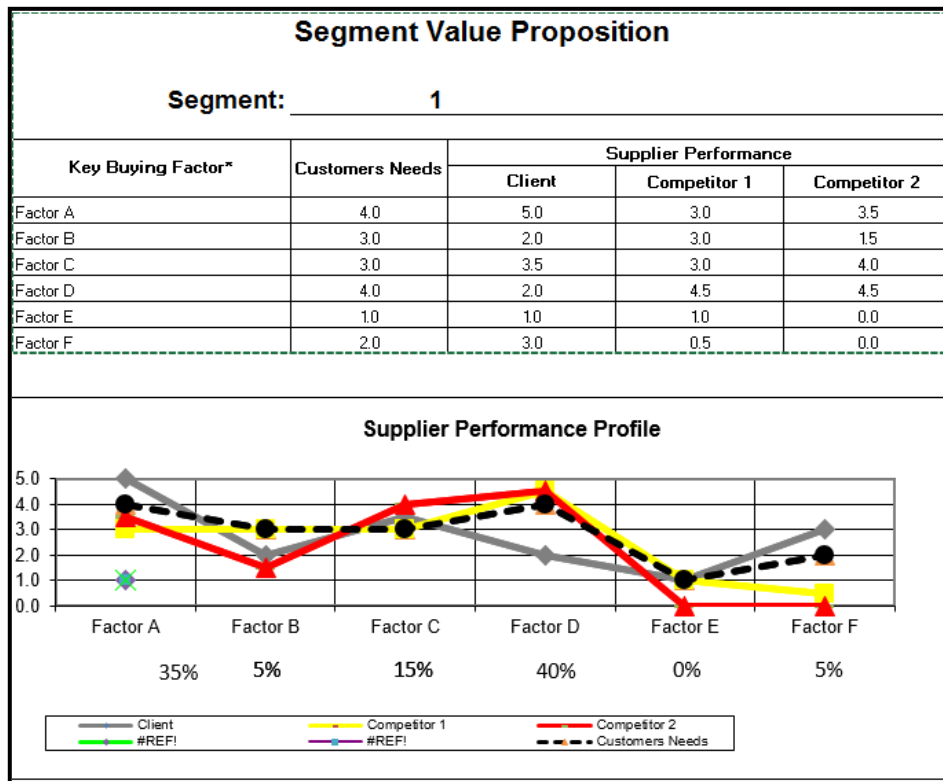


We then analysed the interviews and developed a number of customer segments based on their priority requirements from their suppliers (including our client).

Findings

1. From analysing the interview responses, we found that there were some needs that were universal across all the customers. It is important to recognize these needs as important but because they were pretty consistent across all the customers, they could not be used for segmentation; essentially they were operational issues. We did however, find five key needs which did vary significantly between customers. These included:
 - Desired relationship with the supplier. Some customers wanted a strong partnership relationship with the supplier, others a preferred vendor relationship while others wanted a simpler transactional relationship.
 - The degree of innovation required from the supplier. Some were keen to invest in and test out industry-leading products and services, some were interested in tried & tested new products if they worked while others did not want the disruption of too much change in their business.
2. We then initially developed three distinct customer segments from this analysis, subsequently subdividing one to provide us with four customer segments in total. Each of these four customer segments had distinct needs.
3. The sales team then added a number of their own customers outside our initial group and scored them, following a workshop that we ran for them.
4. During the project, we also categorized the products and services that our client provided. We then mapped the customer segments against the products and services to develop a comprehensive market map that could be used to develop their market coverage strategy.
5. We then helped them to develop a value proposition for each of the segments. The first step to doing this was to use the segmentation work to understand the *customer gaps* (between our client's performance and the customers' needs) and *the competitive gaps* (between our client's performance and the competitors' performance). This was done for each of the four customer segments (see example diagram below). Once this had been understood, the sales and marketing team could develop the right value propositions for each of the segments.





Conclusion

The segments that we developed were not currently recognised within that industry. This allowed our client to develop wholly unique, competitive value propositions addressing the specific unmet needs of different customers.

The work not only provided a foundation for better selling but, by also targeting the best segments, a foundation for the entire strategy for that market.

It also provided a good process for the client to repeat in other markets.

By understanding the true needs of your customers, you can identify the real market segments of your client base. This enables you to develop superior, targeted value propositions that satisfy these needs and also structure your sales and marketing effort to be significantly more effective.

Further information

If you wish to discuss this case study in more detail, please contact:

Ed Bradford e.bradford@market2win.com,

Nick Thomas n.thomas@market2win.com

Market2Win Limited www.market2win.com