



Are all these watches aimed at the same type of customer?

What do you think is meant by the term segmentation? Try to write a definition.

Learning Outcome 1
Understand how to target a market

1.1 THE NEED FOR CUSTOMER SEGMENTATION



1.1 THE NEED FOR CUSTOMER SEGMENTATION

Learners must be taught:

- ⊙ The need for customer segmentation, i.e. customers vary because of the:
 - ⊙ Benefits they require
 - ⊙ Amount of money they are able/willing to pay
 - ⊙ Quantity of goods they require
 - ⊙ Quality of goods they require
 - ⊙ Time and location they wish to purchase the goods



THE NEED FOR CUSTOMER SEGMENTATION

Customer segmentation recognises that people are not the same and have different requirements.

Therefore, it makes sense to adapt products to meet these differing needs.

Customers may vary because of the:

- ⦿ Benefits they require
 - This is dependent on the function of the product. Some customers will be happy to have an entry level product that gives them access to basic features e.g. a cheaper mobile phone will allow calls to be made and texts sent. Whereas other customers will require a range of features e.g. access to the internet



THE NEED FOR CUSTOMER SEGMENTATION

Customers may vary because of the:

- ⦿ Amount of money they are able/willing to pay
 - This will depend on the income of consumers and the importance of the product to them. As incomes increase the demand for better quality products will rise. Some products are deemed as more important e.g. due to work commitments or the amount of time spent using the product
- ⦿ Quantity of goods they require
 - Some customers will buy in bulk e.g. a retailer and will need to ensure access to regular supplies. For others, the purchase might be a one-off

THE NEED FOR CUSTOMER SEGMENTATION

Customers may vary because of the:

- ◉ Quality of goods they require
 - Customers might spend more time, effort and money on buying a better quality product. Again, this is likely to depend on disposable income and the importance of the product to the buyer
- ◉ Time and location they wish to purchase the goods
 - Often, customers buy products on impulse. These are likely to be products that attract peoples' attention e.g. sweets sold near checkouts
 - Some purchases are planned in advance e.g. the weekly shop for food items
 - Some products are linked to a specific time and location e.g. attending a sports event or a concert

ACTIVITY

Think of a product that you have recently bought.

Complete the table below to explain the need for customer segmentation.

Product:

	How was it segmented?	Why was there a need to segment?
Benefits required		
Amount of money you were willing or able to pay		
Quantity of goods required		
Quality of goods required		
Time and location you wished to purchase the goods		

5 MINUTE TEST

- What is the meaning of the term customer segmentation?
- State 5 reasons why enterprises may need to use customer segmentation
- With the use of an example briefly explain 1 of the reasons above

End

