



*We Share Our Knowledge*

**Article no. 20**

# **Customer Segments Management**

**By: Meirav Zaltzman, Synergy Consultant**

**November 2006**

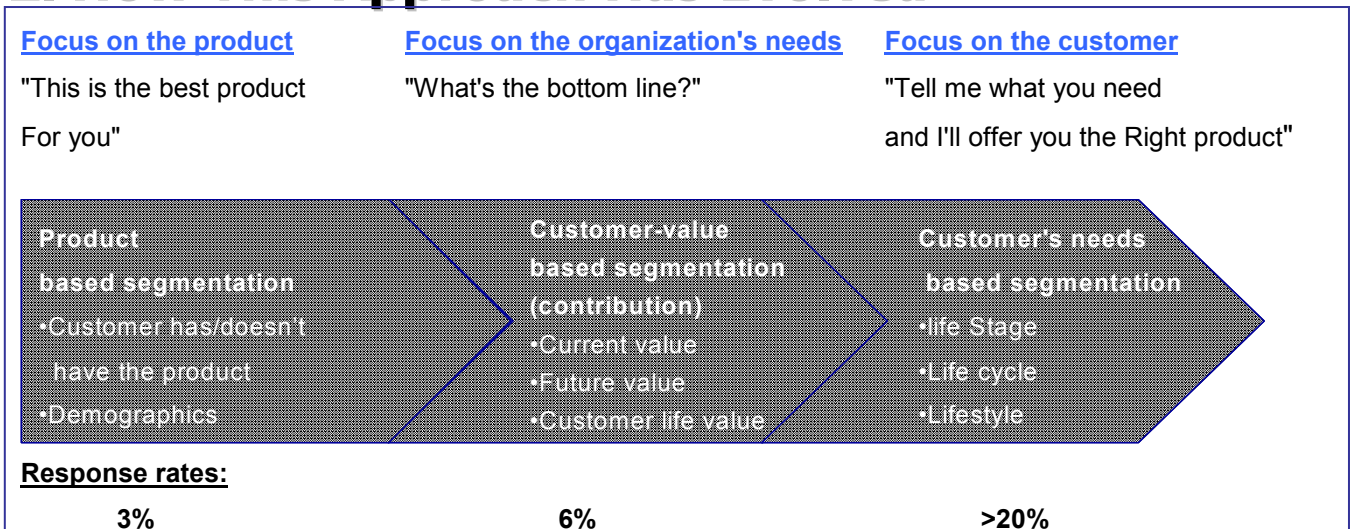
## 1. Background

In the past few years, all of us, as customers of communications companies, banks, insurance companies and credit card companies, have been sensing the change in these companies' conduct towards their customers.

Everybody is very obliging, trying their best to personalize attractive marketing packages especially for us, offer us exactly what we need. No more mass marketing, no more referring to all customers as one entity with the same needs. We are now each recognized as having different needs for different products.

In the past few years, the Israeli market has undergone a transformation, at least as far as marketing perceptions and customer service attitudes are concerned. Slogans that not so long ago were just advertising jingles, such as "for us, you are the star", or "we'll do better for you", have now become business strategies, and many organizations, both local and international, have ceased talking about customer management strategies, and instead started acting accordingly.

## 2. How This Approach Has Evolved



**Chart of approach evolvement "Gertner"**

The shift in the customer management approach forced organizations to learn to know their customers by dividing their markets into homogenous groups. This market division into sectors of customers with the same needs and/or characteristics is called segmentation.

## 3. Which Segmentation Method Should We Use?

Segmentation is usually based on a combination of exact sciences (models and analytical testing), and personal intuitions of the marketing teams who are well familiarized with their customer base.

The basic prerequisite of segmentation is that each segment will represent characteristics unique only to its population, will enable predicting the behavior of its customer population, will be applicable, and will eventually reflect the organization's business needs for which it was created.

That said, there can be many forms of segmentation, and each organization needs to choose the one that best suits its requirements.

### Synergy Technology In Business LTD.

#### ISRAEL

1 Ben Gurion st. Bney-Brak, 2 Besser Towers, Israel. Tel. +972(0)3-5788861 Fax. +972-(0)3-5788862

#### POLAND

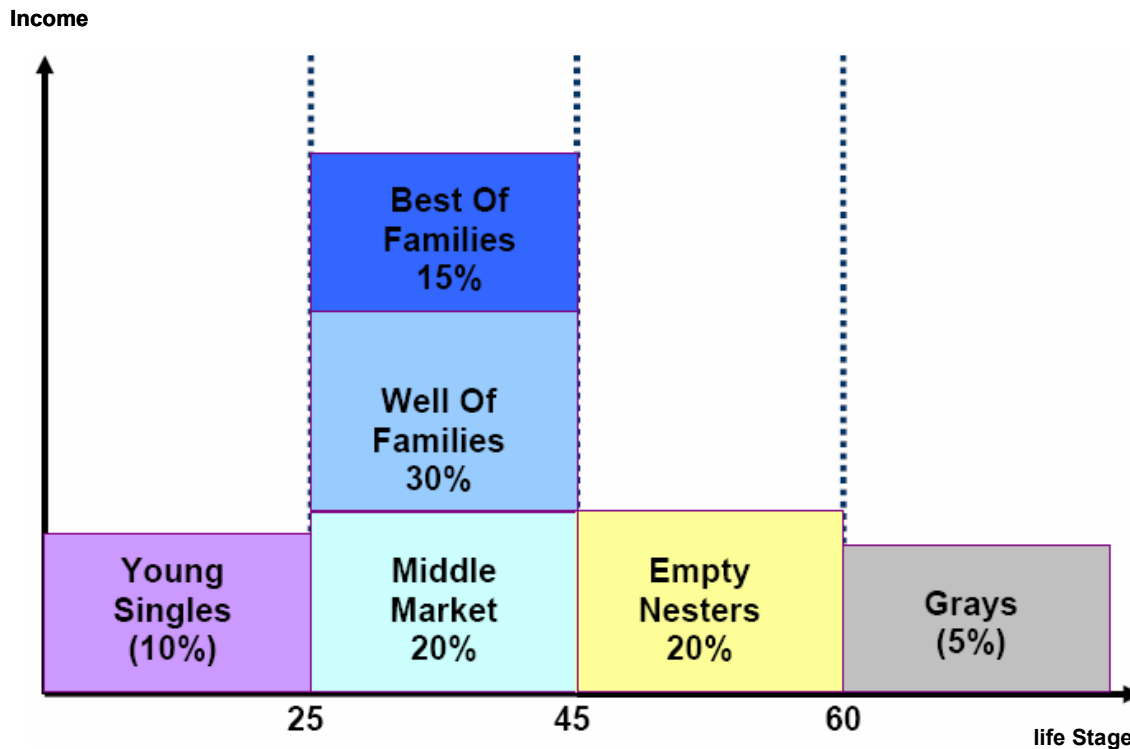
Representative Office Poland: 66/68 Wilcza str., 00-6790 Warsaw, Poland. Tel. +48(0)22 622 3221 Fax.+48(0)22 625 3688

#### UK

Sams Barn, The Greenway, West Hendred, Wantage, Oxon OX12 8RD, UK Tel. +44(0)1235 821 353 Fax.+44(0)1235 861 678

Below are a few samples of segmentation forms:

1. Demographic segmentation (by age, gender, income, marital status etc.)
2. Geographic segmentation (city/town, statistical region, home ownership, property size, etc.)
3. Segmentation based on consuming behavior (usually used by retail chain stores)
4. Customer value/contribution based segmentation
5. Lifestyle based segmentation (outdoorsy customers, restaurant connoisseurs, etc.)
6. Life cycle based segmentation (see example in the chart below).



## 4. Have We Chosen The Right Form of Segmentation?

Segmenting the customer base is often a very important process for the organization, as it involves a change in perspectives, work processes and even organizational policies. Therefore, in order to effectively segment the customer base with as little disturbance to the system as possible, it is important that we meet the following key requirements:

### 4.1 Practicality

- Convincing – are the characteristics of the segment clear and plain enough to distinguish it from the other segments?
- Applicable – is there enough information to establish the segment? Is information gathering easy enough? Will it enable continued segment monitoring and updating in the future?

### 4.2 Effectiveness

- Relevance – do the segment's size and potential contribution justify its existence?
- Accuracy – does the behavior of all customers within the segment have a constant pattern?

#### Synergy Technology In Business LTD.

##### ISRAEL

1 Ben Gurion st. Bney-Brak, 2 Besser Towers, Israel. Tel. +972(0)3-5788861 Fax. +972-(0)3-5788862

##### POLAND

Representative Office Poland: 66/68 Wilcza str., 00-6790 Warsaw, Poland. Tel. +48(0)22 622 3221 Fax.+48(0)22 625 3688

##### UK

Sams Barn, The Greenway, West Hendred, Wantage, Oxon OX12 8RD, UK Tel. +44(0)1235 821 353 Fax.+44(0)1235 861 678

## 5. Conclusion

The customer management approach has become an increasingly popular "phenomena" in the past decade.

Just a few years back, when you wished to purchase a certain product, the service rep would try to convince you how this or that product was good for you, without showing any interest whatsoever in your true wants or needs.

Today, however, when showing an interest in purchasing a certain product, most companies will first present a set of questions in order to learn more about your demographics, consuming behaviors and expectations from the product, and only then will they offer you the proper choice out of a variety of products.

Companies who follow this approach are those who are guaranteed continued success in today's competitive markets.

## About Synergy

**Synergy** is an international consulting company, specializing in Analytical CRM solutions.

**Synergy** offers marketing oriented business ventures, formed by a team of leading local and international industry experts.

**Synergy** aims to provide its customers with the ability of acquiring commercial advantages by informative analysis of their customers' shopping data.

**Synergy** has vast experience in working with leading commercial organizations, both locally and internationally, and its clientele includes foremost industry leaders in the communications, financial and retail fields.

For more information, visit our website at: [www.il-synergy.com](http://www.il-synergy.com), or email us at: [info@il-synergy.com](mailto:info@il-synergy.com).

---

**Synergy Technology In Business LTD.**

**ISRAEL**

1 Ben Gurion st. Bney-Brak, 2 Besser  
Towers, Israel. Tel. +972(0)3-5788861  
Fax. +972-(0)3-5788862

**POLAND**

Representative Office Poland:  
66/68 Wilcza str., 00-6790 Warsaw, Poland.  
Tel. +48(0)22 622 3221 Fax.+48(0)22 625 3688

**UK**

Sams Barn, The Greenway, West Hendred,  
Wantage, Oxon OX12 8RD, UK  
Tel. +44(0)1235 821 353 Fax.+44(0)1235 861 678