

MARKET SEGMENTATION

It is extremely important for firms to analyse their clients (or customers) and group together those with similar characteristics and needs into different segments. This process is called segmentation. It will help you to identify your most attractive and profitable segments and also those with the highest potential for growth.

Segmentation is not simply based on the size of client or the market sectors, it is more about which services are bought, by whom, how, why and possibly when. The aim is to identify client needs that can be grouped together according to common characteristics to identify the best segments on which to focus your marketing efforts. You can then develop a deeper understanding of each segment and plan what you offer, to whom you offer it, how and where you communicate and even the language you use. In this way the capabilities of an organisation can be effectively marshalled and presented to its greatest advantage.

The operation of a market segmentation strategy can offer considerable competitive advantage and the skill is in choosing appropriate segmentation criteria given the wide range of possibilities.

The criteria must be relevant to the differences in demand by each of your client groupings. For example the needs and requirements of development directors of retailers differ from those of development directors specialising in commercial office buildings. The features of your range of services clearly bring benefits to different clients in different ways and therefore you must distil the benefits experienced, assess how they may be appropriately grouped into segments and promote tailored messages to each.

Segmentation in the construction industry could include the following criteria:

Industry	Geography	Procurement Strategy	Consultant Type	Client type
Commercial Industrial Public non- housing Infrastructure Private housing Public housing	Scotland Wales North Midlands South Etc	Partnering Lowest-cost bidding Framework	Architect Cost Consultant Project Management Consultant Engineer	Contractor Sub-contractor

Each of the above industry classifications may also be segmented into further categories such as commercial retail, commercial office or public health,

education and private health and private education. The same applies to geographical segmentation such as Midlands into East and West Midlands, or municipal vs. rural.

For consulting engineers, segmentation could be based on whether the client is public sector, private sector or a consortium. If their needs or procurement processes differ within the segment, then this could be further segmented as follows:

Public Sector	Government agencies Local government Specialist authorities
Private Sector	Energy/ utilities Manufacturing Retail and distribution Transportation – roads etc
Consortia PPP/PFI	Design and construct Investment

You may also find it useful to undertake a client satisfaction survey, as this will also give you insight into the needs of your clients, their plans and requirements in the future and you will be able to use this to further analyse the common needs and refine your segmentation.

Whilst clearly you must segment accordingly to your own client grouping it is advisable to organise them in such a way that you are able to layer over data and research findings from industry research bodies such as **Construction Forecasting Research/ Experian** to ensure consistency and compatibility. If you fail to ensure your segmentation forecasting is based upon quantitative research, it will not usually be easy to measure potential segment size or more importantly your progress. It is therefore critical to recognise that the full implementation of a segmented strategy demands an adequate flow of data for both planning and control purposes.

Without the use of segmentation the company pursues a homogenous strategy, which may lead to a product or service trying to be all the things to all people. This may work reasonably well while the company is dominant, or in a monopoly situation. However it does leave the product or service vulnerable to attack by competitors who target their products or services more specifically at smaller sectors of the market - in time this could mean the 'homogenous' product or service appeals less and less to the total market whose needs are being satisfied elsewhere - and leaves the company with a smaller universe of clients.

What next? For more details of Client Satisfaction Surveys from MarketingWorks, view: <http://www.marketingworks.co.uk/client-relationships/6.html>