



\* A well-known model for business environment analysis: Political, Economic, Social, Technological, Legal, Ecological

Source: Strategic marketing benchmark study, GEMS Europe, ECMSA, Market Planning International

**Fig 1: Market value chain analysis and PESTLE\* generate more profit**

Do your offerings to each segment look really different from one segment to another?

Are your offerings truly differentiated from those of your competitors?

If you answer 'yes' to each of the above questions, then your customers should be delighted to be buying from you, should not be seeking alternatives and should be happy with the value they are receiving from you. If, on the other hand, your customers are complaining about your offering, your prices, your service and are always seeking alternative suppliers and confronting you with competitive offerings, you need to revisit these questions and your answers to them.

Whether in good times or bad, we should remember some key aspects of marketing. Value-based marketing starts with a detailed understanding of the market value chain, to identify the real customers you are serving – not always and not only the customers to whom you sell directly, but often also their customers and even their customers' customers and on down to the final consumer. This means gaining a

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deep understanding of the different needs and value-drivers of the customers at each level in the value chain – essential for addressing their needs and values in a targeted way.

Understanding in detail what drives customers can help you to identify value elements in your offering of which you were previously unaware. It also involves understanding what customers do not value. The key question you need to answer is: what is the customer willing to pay for?

Customer value segmentation is an important basis for choosing your strategic direction. You must target the segments that are most

**'Internally, you should be reviewing all customer and market portfolios to eliminate those with least profit, growth and volume potential, and those with high risk. Focus on those with the best profit, growth and volume potential and those with manageable risk'**

### Case example 1

Company X gets a wake-up call as many of its longstanding key customers complain about price levels and threaten to switch to the competition. The firm operates an innovation-based business model that does not allow for very low prices. The realisation also dawned that it was presenting the same offering to every customer, taking no account of what the customer really valued. This led to a poor overall brand experience for the customer and a confused and unclear image of the brand and what it stood for. It also led to a perception of poor value for money.

Following needs and value-based customer segmentation, company X discovered very clear and distinct customer segments, valuing very different offerings. One obvious distinction emerged between customers seeking low or competitively priced offerings with few or no extras and customers seeking solutions. Hence, the company adopted a dual branding strategy.

One brand represented a new solutions approach for customers who valued one or more of the following: innovation, new products, tried and tested solutions, technical support, responsive service etc.

The second brand was built around a new and innovative low priced business model to serve customers demanding large volume, standard products at competitive prices.

**Result: low-priced business volume retained at healthy profit margins; solutions business grows and develops several hundreds of millions of dollars of new business based on services and solutions previously unidentified. The dual branding strategy enables the company to achieve sustainable profitable growth throughout the economic cycle. Company X outperforms all others in its market and grows profitably at above market rates.**

attractive and where you have the greatest competitive advantage, de-emphasising those less attractive segments where you cannot differentiate your offering. This is a critical strategic choice to ensure that you deploy your resources where they will have the greatest impact on your sustainable profitable long-term growth and your short-term survival.

Strategic marketing practice GEMS Europe has developed a *Dynamic Customer Segmentation* model to help clients kick-start their efforts towards more meaningful customer