# 3. Target Segment Selection

## 3.1. GE Matrix Analysis

The four customer segments are evaluated using the **GE Matrix**, which assesses segments along two dimensions:

* **Market Attractiveness:** Segment size, growth potential, and margin opportunity.
* **Business Strength:** Chestnut Ridge’s capability to serve that segment through product breadth, service expertise, pricing, and returns infrastructure.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Segment** | **Key Attributes** | **Income/Age** | **Market Attractiveness** | **Business Strength** | **Quadrant** |
| **Assortment Seekers (47%)** | High variety, high furniture | $31.2 k / 31.7 yrs | **High** (largest, stable growth) (SAITO-CHUNG & Daily, 2024) | **High** (core competence in wide product range) | Invest |
| **Service Lovers (14%)** | Exceptional service ratings | $54.8K / 46.2 yrs | **High** (Premium margins; 73% pay more for service (PwC, 2020)). | **High** (excellent service ethos) | Selective |
| **Tech & Returns (9%)** | High electronics interest, strong returns focus | $45.6K / 38.6 yrs | **Medium–High** (premium electronics; 9% niche but high ARPU) (West, 2024) | Low (Weak electronics assortment) | Harvest |
| **Bargain Hunters (30%)** | High price-sensitivity, easy returns | $19.1K / 25.5 yrs | **Low** (low margin, high competitors) | **Low** (No cost leadership) | Harvest |

## 3.2. Key Insights & Recommended Segments

### 1. Invest: Assortment Seekers (Primary Target)

This groupoccupies 47% of customers with stable growth in a large home‐furnishings market (~$215 bn, 4% CAGR (Statista, 2024)) aligns with Chestnut Ridge’s core SKU breadth and showroom strength. Mid-income demographic ($31.2K) offers balanced margin potential (Cavusgil et al., 2018).

**Actions:**

* **Expand furniture SKUs** by 30% with private-label mid-range collections.
* **Launch AR room planner** to enhance “variety discovery” experience.
* **Introduce tiered loyalty program**: Free design consultations for $1K+ annual spend.
* **Targeted marketing**: Social media ads to 30-45 age homeowners.

### 2. Selective Investment: Service Lovers (Secondary Target)

Buyers with highest income ($55k) and service premium tolerance, willing to pay for white-glove installation or extended warranty, fits Chestnut Ridge’s growing in-store service offerings.Untapped opportunity (only 14% share) with low competitive intensity. Requires capability development to overcome current service weakness (mean rating: 3.53)

**Actions:**

* **Train "Service Concierge" teams**: 50-hour certification program
* **Launch premium offerings**
* **Partner with luxury brands**
* **Targeting**: Direct mail to ZIP codes with $75K+ median income

### 3. Harvest: Tech & Returns & Bargain Hunters

**Tech & Returns**: 35% electronics return rates erode profitability (Ballantine, 2025) while **Bargain Hunters**: 3× higher churn with 19% margin erosion (Pauwels et al., 2002).

Both segments misaligned with the company’s strategic capabilities.

**Actions:**

* **Minimize price promotions** to discourage Bargain Hunters
* **Implement restocking fees** (15%) for electronics to offset return costs
* **Redirect resources** to Invest/Selective segments

In conclusion, Chestnut Ridge should aggressively target **Assortment Seekers** (immediate growth) and strategically cultivate **Service Lovers** (long-term differentiation). This dual approach leverages existing strengths in product variety while building service capabilities to capture premium margins. Harvesting price-sensitive and electronics-focused segments preserves resources for higher-potential segments, aligning with industry shifts toward experiential retail.

# 4. References

Ballantine, C. (2025, January 14). *Latest Returns Statistics | Ecommerce Business*. Meteor Space - Warehousing & Order Fulfillment Services in Ireland & Europe: Meteor Space. <https://www.meteorspace.com/2025/01/14/latest-returns-statistics-that-may-surprise-you/>

Cavusgil, S. T., Deligonul, S., Kardes, I., & Cavusgil, E. (2018). Middle-Class Consumers in Emerging Markets: Conceptualization, Propositions, and Implications for International Marketers. *Journal of International Marketing*, *26*(3), 94–108. <https://doi.org/10.1509/jim.16.0021>

Pauwels, K., Hanssens, D. M., & Siddarth, S. (2002). The Long-Term Effects of Price Promotions on Category Incidence, Brand Choice, and Purchase Quantity. *Journal of Marketing Research*, *39*(4), 421–439. <https://doi.org/10.1509/jmkr.39.4.421.19114>

PwC. (2020). *Customer Experience Is Everything*. PWC. <https://www.pwc.com/us/en/services/consulting/library/consumer-intelligence-series/future-of-customer-experience.html>

SAITO-CHUNG, D., & Daily, I. B. (2024, April 25). *After 70% Run, Can This Retail Sector Keep Rising?* Investor’s Business Daily. <https://www.investors.com/research/ibd-industry-themes/growth-stocks-williams-sonoma-rh-gap-arhaus-ethan-allen/?utm_source=chatgpt.com>

Statista. (2024). *Home Décor - United Kingdom | Statista Market Forecast*. Statista. <https://www.statista.com/outlook/cmo/furniture/home-decor/united-kingdom>

West, P. (2024, September 26). *Consumer electronics sales to hit $977 billion in 2025 - Procurement Pro*. Procurement Pro. <https://procurementpro.com/consumer-electronics-sales-to-hit-977-billion-in-2025/?utm_source=chatgpt.com>