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Customer Segments

The Customer Segments Building block defines
**the different groups of people or
organizations an enterprise aims to reach and
serve**


Customer Segments

A company **may** group customers into distinct segments with:

- common **needs**
- common **behaviors**
- other **attributes**

Business model **may** define one or several large or small Customer Segments

An organization **must** make a conscious decision about which segments **to serve** and which segments **to ignore**



Once this decision is made, a business model can be carefully designed around a strong understanding of **specific customer needs**

Customer groups represent **separate segments** if:

- ➡ **Their needs** require and justify a distinct offer
 - ➡ They are reached through **different Distribution Channels**
 - ➡ They require **different types of relationships**
 - ➡ They have substantially **different profitability**
 - ➡ They are willing to pay for **different aspects of the offer**
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Key questions

- For whom are we creating value?
- Who are our most important customers?

There are different types of Customer Segments.

Different types of Customer Segments (1/3)

Segment type	Description
Mass market	<p>Business model focused on mass markets don't distinguish between different Customer Segments.</p> <p>Channels and Customers Relationships all focus on one large group of customers with broadly similar needs and problems.</p>
Niche market	<p>Business models targeting niche markets is specific, specialized on a Customer Segments. The Value Propositions, Distribution Channels, and Customer Relationships are all tailored to the specific requirements of a niche market.</p> <p>Such business models are often found in supplier-buyer relationships.</p> <p>For example, many car part manufacturers depend heavily on purchases from major automobile manufacturers.</p>

Different types of Customer Segments (2/3)

Segment type	Description
Segmented	<p>Some business models distinguish between market segments with slightly different needs and problems. The retail arm of a bank like Credit Suisse, for example, may distinguish between a large group of customers, each possessing assets of up to U.S. \$100,000, and a smaller group of affluent clients, each of whose net worth exceeds U.S. \$500,000. Both segments have similar but varying needs and problems.</p>
Diversified	<p>An organization with a diversified customer business model serves two unrelated Customer Segments with very different needs and problems. For example, Amazon.com decided to diversify its retail business by selling "cloud computing" services: online storage space and on-demand server usage. Thus it started catering to a totally different Customer Segment, Web companies, with a totally different Value Proposition.</p>

Different types of Customer Segments (3/3)

Segment type	Description
Multi-sided platforms (or multi-sided markets)	A credit card company, for example, needs a large base of credit card holders and a large base of merchants who accept those credit cards. Similarly, an enterprise offering a free news-paper needs a large reader base to attract advertisers. On the other hand, it also needs advertisers to finance production and distribution. Both segments are required to make the business model work.

Value Proposition

The Value Proposition is the reason **why** customers turn to one company over another.



It solves a customer
problem ...



... or satisfies a customer
need.

Each Value Proposition consists of a **selected bundle of products and/or services** that caters to the **requirements** of a specific Customer Segment.



In this sense, the Value Proposition is **an aggregation, or bundle, of benefits** that a company offers customers.