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# **Customer Segments**

## Customer Segments: Definition

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

## Customer Segments


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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

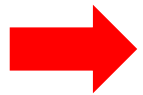
An organization **must** make a conscious decision about **which segments to serve** and which segments **to ignore**



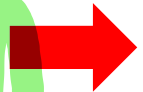
Once this decision is made, a business model can be carefully designed around a strong understanding of **specific customer needs**

Customer groups represent **separate segments** if:

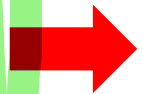
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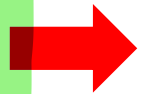
**Their needs** require and justify a distinct offer



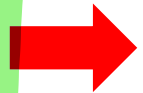
They are reached through **different Distribution Channels**



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

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

There are different types of Customer Segments.

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# Different types of Customer Segments (1/3)

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

# Different types of Customer Segments (2/3)

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Segment type	Description
Segmented	<p>Some business models distinguish between market segments with <b>slightly different needs and problems</b>. The retail arm of a bank <b>like Credit Suisse, for</b> example, may distinguish between a large group of customers, each possessing assets of <b>up to U.S. \$100,000</b>, and a smaller group of affluent clients, each of whose net <b>worth exceeds U.S. \$500,000</b>. 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 <b>very different needs and problems</b>. For example, <b>Amazon.com</b> decided to diversify its retail <b>business by selling "cloud computing"</b> 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)

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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. <b>Both segments are required to make the business model work.</b>

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# Value Proposition

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



①

It solves a customer **problem** ...



②

... 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.