

Market Mapping Series

End User Segmentation

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Many successful companies reach a complacency state that can best be described as “living off the brand.” Overconfidence in their brand’s importance comes after many years of buyer allegiance to a category-leading company. As markets change and move toward competitive parity, we find that the incumbent’s assumption that historic performance will be an indicator of future success is just wrong.

Businesses that rely heavily on past performance often require large adjustments to correct shortcomings and reestablish their competitive advantage. The “living off the brand” mentality tends to stifle innovation in the near-term as these efforts are viewed as unnecessary. A door cracks open for other companies to take advantage of changing end user buying behavior and other factors that are important to emerging customer segments. Market leading brands find themselves falling behind...

The most effective way to avoid the “living off the brand” misstep is to maintain an up-to-date view of end user segmentation. This insight enables an organization to regularly update its value proposition and assure their brand remains relevant to the target end users they want to reach.

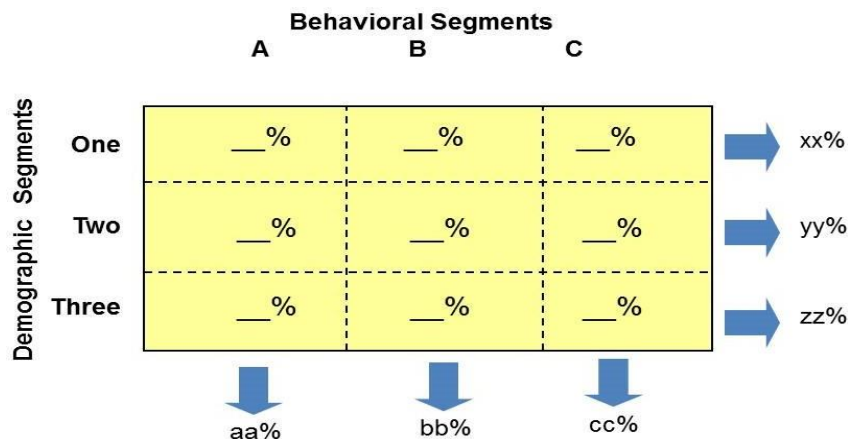
What are signs that your company needs to update its view of end user segmentation?

- 🔥 **Competitive gap closing.** Over the last two decades, the time required to reverse engineer a product or solution has been cut in half. As a result, it takes less time for competitors to close product quality and performance gaps. Users aware of this dynamic become less willing to pay a premium for an incumbent supplier and perceive little risk in testing alternatives
- 🔥 **End user confidence.** A related factor is customer confidence in their choices. As your buyer becomes more familiar with a new product/technology, their fear of making a wrong decision wanes. The end user’s mentality regarding product decisions moves to *“good enough is good enough.”* Non-product components of the value proposition (e.g., buying convenience, access to a broader basket of products, service/support available through a specific channel, price bundling/incentives that lower overall costs, etc.) become bigger factors in consideration. This results in redefined customer behaviors which has the potential to shift supplier market shares
- 🔥 **Adoption of new technologies.** Innovation inevitably occurs to address any issues or limitations with existing products/solutions. Evaluation of new technologies requires new functions to be involved in the decision-making process for pilots and/or rollout. The factors that the technology and brand choice are based on can drive changes in end user behaviors—creating new segmentation

A Tool to Map Actionable End User Segments

- Aging out of the customer base.** When your key decision-makers begin to age-out—those individuals with whom important business relationships were built around over time—the playing field changes. Next gen decision-makers will likely have different priorities in mind when evaluating suppliers. Relationships with the “old guard” become secondary to new decision priorities and buying requirements. Time and time again we see this transition level the playing field between the incumbent brand and alternative suppliers
- External factors.** During recent years, a number of environmental issues have imposed changes on end users. Supply chain challenges are among the most notable examples of external factors that severely altered user behavior and created new segmentation. End users who preferred to emphasize product quality or past vendor experience were forced to shift priorities toward product availability. While this was a temporary change for many end users, others have permanently altered their buying practices—fundamentally changing end user segmentation in that industry

End user segmentation is the most dynamic component of your market map. Regularly updating your end user segmentation is necessary to maintain the strongest market position. A simple and actionable way to segment end users is based on two factors: behavior and demographics. These factors allow a management team to plot its entire market opportunity, gain insights into where the best opportunity lies, and identify what is required to capture that potential.



Demographic segments are straightforward as they represent the most conventional descriptors of the end user population (e.g., size, geography, industry, etc.). Demographic segmentation builds on readily identifiable data to allow you to tag a customer associated with a segment.

Behavioral segments are more complex. Both in reaction to external factors (e.g., economy, supply chain, etc.) and internal dynamics (e.g., organizational turnover, product/application experience, etc.), change is constant in how end users buy and why they select the brands and sources they do. This view of behavior provides guidance to what is required to intercept your customer’s buying decisions.

How to Use Market Mapping Tool

Behavioral segments (cont'd)

- The “how” defines the end user’s buying process. What steps does your customer go through?
 - Presale (evaluating their product/brand/source options)
 - Transaction (placing and receiving the order)
 - Postsale (ongoing relationship with your brand)

Who is involved at each step? What support expectations does the end user have of the vendor? How can you and your channel partners most effectively intercept the end user’s buying process?

- The “why” defines the trade-offs end users make in their decision making. What factors does the user consider in arriving at a brand and source choice? What is the relative importance of each of these factors? How well does your brand/company deliver against the customer’s expectation for each key factor?

We find that one of the common characteristics of market share leaders is their approach to end user segmentation. They review segment definitions more frequently and have a more robust definition of segments than their competition. In addition to driving more effective/efficient go-to-market strategies, this approach results in a first mover advantage when reacting to market changes.

Lynn Cullotta Consulting routinely works with clients to update their end user segmentation, identify the “best bet” targets, and determine the most effective go-to-market approaches to capture these opportunities. We would be happy to discuss your situation and share our experience. Please contact Carl Cullotta at 224-239-2525 or cpc@lynncullotta.com.

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