



URBAN WALLACE ASSOCIATES

35 Bedford St., Suite 8, Lexington, MA 02420

ph 781 862 0033 fax 781 862 1292 web www.uwa.com

Identify Market Segments That Want a Product or Service

Segmentation is a way to understand your market. Segmentation divides a market into distinct groups of customers that want a product or service and explains why they want it. A segment is a group of customers who exhibit the same buying behavior and seek the same benefits from a product or service. We refer to these shared characteristics as “purchase logic.”

➤ **Purchase Logic Defines Market Segments**

Purchase logic is the description of how and why a person buys. It is the evaluation criteria, buying process, and trade-offs that a potential customer uses in reaching a decision to buy a product or service. Purchase logic is the only basis upon which markets can be properly segmented.





VALUE OF SEGMENTATION

➤ **Identify Target Market**

Market segmentation helps a business match up its product or service with those people who want what is being offered. It is the process of identifying groups of buyers who differ in how and why they buy products and services. The payoff of segmentation is insights about how to enhance the value and appeal of your offering to a specific group of customers. In addition, segmentation helps you improve and target your communications to specific groups of customers.

Each purchase logic defines a different market segment. Although demographic characteristics may correlate with purchase logics, there is no guarantee that they will. In fact, the same purchase logic is frequently shared by buyers in multiple demographic groups; similarly, any given demographic group can include buyers with different purchase logics.

ROLE OF RESEARCH

-  **Why?** Purchase logics are identified through qualitative research. In-depth discussions with representative buyers will reveal the different purchase logics in the marketplace. In order to understand someone's purchase logic it is necessary to know what motivates that individual to buy, what barriers must be overcome in order to cause a purchase and the order in which these decisions are made.
-  **How Many?** After different purchase logics have been identified by talking with individual customers, quantitative research can be used to measure the size and other characteristics of specific market segments. Buyers are sorted into groups or market segments according to their buying motivations and selection process. Demographic data and other characteristics are collected for each group. Significant differences in demographics or other characteristics may then be used to predict which purchase logic a given buyer has, and thus, which segment that person is in.
-

Related Articles

To learn more about the topics discussed in this article, you may wish to read the following papers found on www.uwa.com:

- Qualitative vs. Quantitative Marketing Research
- Improve and Differentiate a Product or Service
- Develop Marketing Communications or a Sales Message
- Purchase Logic: The Foundation of Marketing Strategy
- Turning Products into Services