**How to Segment BtoB Market**

The benefits of segmentation are not hard to grasp. The challenge is arriving at the most effective groupings.

A common approach in business-to-business markets is to apply a segmentation based on company size. The consumption levels of business-to-business customers are so widely different that this often makes sense due to large companies usually thinking and acting differently to small ones. A further sophistication may be to classify customers into those who are identified as strategic to the future of the business, those who are important and therefore key and those who are smaller and can be considered more of a transactional typology.

These ‘demographic’ segmentations, sometimes referred to as ‘firmographic’ in business-to-business markets, are perfectly reasonable and may suffice. However, they do not offer that sustainable competitive advantage that competitors cannot copy. A more challenging segmentation is one based on behaviour or needs. Certainly large companies may be of key or strategic value to a business but some want a low cost offer stripped bare of all services while others are demanding in every way. If both are treated the same, one or both will feel unfulfilled in some way and be vulnerable to the charms of the competition.

It is not easy to jump straight into a fully-fledged needs-based segmentation. Most companies are starting with some history of involvement in segmentation, even if it is only a north/south split of its sales force. Companies move down the road of segmentation learning all the way.

*The Road To A Needs-based Segmentation*

