

Target Market Segmentation to Drive Profitability for a Retail Company – Infiniti Research's Success Story



This success story provides an overview of our target market segmentation analysis and explains how it helped a retail company focus on key customer segments to boost business growth and profitability. It also highlights how the solution helped the retail company reduce customer churn rate by 13%.

INTRODUCTION

With the ongoing transformations in the retail industry, new approaches to understand the market, market niches, and target customers have become imperative for retail companies that are focusing on gaining competitive advantage. In particular, over the last decade, the retail industry has entered an era where it is confronted by a variety of complex challenges like pricing pressure, investment volatility, and customer experience management issues. In between all these challenges, customer experience management is very crucial for retail companies to gain a leading edge in the market.

In this context, leading retail companies find it necessary to reinvent the way they engage with their customers. This is where the target market segmentation approach comes to the rescue. Target market segmentation gives companies a better understanding of the target audience, assess changes in customer expectations, and makes a company's marketing more effective.



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BUSINESS CHALLENGE

ABOUT THE CLIENT

The client is a retail company, serving throughout the Midwestern United States. With a workforce of 2700+, the company is now looking to expand access worldwide.

#1: The retail company wasted over 13% of their overall marketing budget on wrong channels. This subsequently resulted in huge financial losses for the company. With a target market segmentation solution, they wanted to limit their target audience and direct their marketing budget into specific communication channels that reach their target customer base.

#2: The company focused on targeting customer individually. This eventually affected their overall marketing budget. The client, therefore, wanted to effectively group similar consumers together to target specific audiences in a cost-effective manner with different segmentation processes.

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#3: The inability of the company to understand the needs and requirements of their target customers resulted in an increased churn rate. By analyzing the various customer groups and their level of satisfaction from the existing offerings, the client wanted to identify new market opportunities and launch products to meet their target customers' requirement to reduce customer churn rate.

#4: The client was also facing predicaments in accurately pricing their products according to customers' requirements. They wanted to identify the right prices to target new customers in the market and also needed to fix prices for their existing products and services accordingly.



OUR APPROACH

#1: The initial phase of the target market segmentation analysis engagement involved behavioral segmentation. The retail customers in the Midwestern United States were segmented into various categories with respect to factors such as buying patterns, usage patterns, and their spending patterns.

#2: The second phase of segmentation followed demographic segmentation, where segmentation was on the basis of customers' socioeconomic characteristics, including age, gender, level of education, income, occupation, religion, marital status, and the average family size.

#3: The third phase of the target market segmentation followed psychological segmentation. This involved classifying customers based on their interests and activities in the retail industry.

#4: The final phase of the engagement followed geographical segmentation. In this stage, the experts at Infiniti Research gathered and evaluated data based on the geographical location of consumers.



RESULT AND IMPACT

With Infiniti's target market segmentation solution, the client was able to identify customers' needs and evaluate the marketing gaps. This helped them to better serve the target audience. Moreover, with Infiniti's target market segmentation process, the client was able to make adjustments in their marketing initiative, which further resulted in improved profit margin. In addition, the client was able to identify the right prices to target new customers and helped them in fixing prices for their existing products and services accordingly.

Other benefits of leveraging target market segmentation by the client were:

#1: MORE EFFICIENT ADVERTISING

Infiniti's target market segmentation solution helped the client to effectively segment the target customers based on their interests and requirements. This helped the client to choose the right marketing channel to engage with them. This further helped them to reduce their marketing spend.

#2: CONCENTRATED DISTRIBUTION

By understanding the areas of customer-interest and their preferred channels of purchase, the client was able to eliminate ineffective distribution channels. Also, they were able to concentrate more towards online distribution channels, which was preferred more by retail customers in the Midwestern United States.

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#3: REDUCED CUSTOMER CHURN

With Infiniti's target market segmentation engagement, the client was able to identify the lucrative customer segments in the market. This helped them create personalized marketing messages for these segments. This subsequently reduced customer churn rate by 11%.

#4: COMPETITIVE ADVANTAGE

With Infiniti's target market segmentation solution, the client was able to understand the demands and requirements of their customers. This helped them to deliver an effective value proposition, which enticed customers to their brand. Also, they were able to gain a leading edge in the market compared with their peers by performing more targeted research and delivering marketing messages matching customer requirements.



IMPORTANCE OF TARGET MARKET SEGMENTATION

Target market segmentation is the process of dividing consumers based on their purchasing behavior, characteristics, segments, response to promotions and advertisements, and more. Target market segmentation enables companies to tailor marketing strategies to meet the needs of particular customer segments. It also helps businesses to identify consumer needs and preferences, areas of declining demand, and new marketing opportunities.

One of the main advantages of segmenting target customers for businesses is that it helps to obtain a competitive advantage in the market by analyzing various customer groups and targeting specific products to meet their demands. This analysis also simplifies things for the business by delivering them with clarity on different customer segments and understanding what they expect.

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