Market Segmentation

MN-REACH Value Proposition Design Workshop
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Segmenting a Market:
http://www.investopedia.com/video/play/market-segmentation/

Segment Definition
• Homogeneity
  – Similar wants and needs
• Distinctive
  – From other segments
• Reaction
  – Similar responses to marketing efforts

Segment Characteristics
• Demographics
  – Objective data
  – Ex: Income, location, education
  – Mainly secondary research
• Psychographics
  – Subjective information
  – Ex: Values, beliefs, behaviors
  – Mainly primary research
Market Potential

• **Total Addressable Market (TAM), aka Total Available Market**
  • Revenue opportunity available for a product or service

• **Served Available Market (SAM)**
  • The part of the TAM that can actually be reached via planned sales channels

• **Target Market**
  • The market segment you pursue
  • New products need a *Beachhead Market*
Beachhead Market Segment  
(Geoffrey Moore – Crossing the Chasm)

• The initial target market segment from which to pursue the mainstream market

• Key characteristics
  – Customers have a single, compelling “must have” reason to buy
  – Segment enables later entry to related, contiguous market segments
Example: Aptose Biosciences

“Aptose Biosciences employs a mechanism-driven approach to deliver safer, targeted, first-in-class cancer drugs and diagnostics.”

Initial beachhead market: bone cancer

Current beachhead market:
“Aptose Biosciences is a science-driven biotechnology company advancing first-in-class therapeutics to treat life-threatening cancers, such as acute myeloid leukemia (AML), high-risk myelodysplastic syndromes (MDS) and other hematologic malignancies.”

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Customer Discovery → Market Segmentation

- Secondary research must be complemented with primary research

- Customer interviews and observations drive insights into how to define segments and identify beachhead