Understanding Our Customers: Segmentation Strategies

A “One size fits all” strategy for almost any kind of product- or service-oriented business is no longer an option in today’s complex supply chains. So in order to better understand customers and their segmentation strategies, Professor Mustafa Çağrı Gürbüz and his team from the Zaragoza Logistics Center, Spain, examine contributing factors and outline parameters for a thesis being carried out with support and collaboration from the CSS team at Clariant.

It is of grave importance that any company with a heterogeneous customer base invests in customer segmentation efforts to be able to offer customized supply chain solutions for different clients. Relevant and goal-focused segmentation is now more than ever critical to serve as the foundation of any attempt at providing long-term customer value and is needed to be able to compete effectively in today’s ever changing world of business and supply chains.

In an ideal world, one would provide the best service level to all its customers if only it had ample capacity to do so. However, in a resource constrained environment, smart allocation of finite resources (e.g., production/distribution capacity) to serve several heterogeneous customers is essential to keep improving the firm’s financial performance, to stay competitive, and to control the associated risks. Proper segmentation of customers and identification of common finite resources that these customers need is the most important step in providing differentiated supply chain solutions to different clients based on their requirements.

In this thesis project, we aim to propose a methodology to segment customers into different groups and provide various levels of service to these customers accordingly. Literature review in this field will help us determine the criteria to be used for segmentation. Several factors such as profit, current market share, future business potential, geographic coverage, product portfolio, cost-to-serve, and competitive necessity will be taken into account to rank the customers and form clusters. The interaction between customer and product segmentation and possible conflicts between the two will also be considered. In addition, interviews with the Clariant team and surveys with customers will enable us to map customer requirements. Consequently, based on the customer segmentation and requirements, we aim to propose tailor made supply chain solutions for each customer with the ultimate goal of driving value for customers and the company.

Initial analysis performed on shipped orders over a one year period shows that there is room for improvement in the order management phase of the supply chain. It also indicates and justifies the urgent need for a segmented supply chain approach to provide better service (e.g., increased fulfillment levels). One must keep in mind that differentiated service levels for different customer segments will only help Clariant in the long run as long as the methodology proposed in this thesis results in a “win-win” situation for both Clariant and the customer. The additional benefits from customer segmentation must be weighed against the cost of doing so before taking any action. This study will offer tangible solutions for grouping customers, and defining which customers would get better service levels and how depending on this segmentation. Last but not least the approach in this thesis would be scalable and provide a general guideline in customer segmentation and customized supply chain solutions for the whole company.

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