

The Segments, Offerings, Needs Matrix

By Mark L. Frigo

Executive teams wrestle with a myriad of tough topics when they are reviewing existing strategies and conceptualizing new ones. Key issues include the determination of which market segments are most valuable and what goods and services should be leveraged or created to target market

segments. The process of targeting new or existing segments and deciding between new or existing offerings is paramount.

To enhance these discussions and develop the most effective strategy, a clear connection must be created at the intersection between market segments and potential offerings: unmet customer needs.

This column describes how a matrix that combines the key points of the goal tenets of Return Driven Strategy can be used as a valuable tool for management. Titled the Segments, Offerings, Needs Matrix, it can be used as a framework to help executive teams develop a clear path to maximum financial value, which means achieving growth and return on invested capital by fulfilling unmet customer needs in the right market segments before others do.

Focus on Customer Needs

The power of Return Driven Strategy comes from its focus on fulfilling unmet customer needs in the right market segments. The Segments, Offerings, Needs Matrix helps executive teams to keep focused on these goal tenets. Better-defined customer needs can be targeted better and be fulfilled by existing or new offerings.

The key is to define customer need first and well and then deeply elaborate on the customer. Describe the cus-

tomers in terms of demographics and psychographics. Consider the customer's "thinking" throughout the transaction cycle. Profiling customer segments requires a detailed description that highlights the customer's activities and thinking. Remember the limitations of customer sur-

Segments, Offerings, Needs: The Pathway to Financial Value

Segments, Offerings, Needs Matrix

		Existing Offerings	New Offerings
New Segments	Unmet needs?	Unmet needs?	Unmet needs?
Existing Segments	Unmet needs?	Unmet needs?	Unmet needs?

THE SEGMENTS, OFFERINGS, NEEDS MATRIX

During the ongoing development and application of Return Driven Strategy, many executive teams address the issue of product and market expansion. How can management prioritize the many options and opportunities available? At the heart of Return Driven Strategy is the first goal tenet: Fulfill Otherwise Unmet Customer Needs. I have seen management teams target market segments and attempt to innovate offerings without a clear understanding of customer needs.

The Segments, Offerings, Needs Matrix is similar in some respects to the well-established Ansoff Matrix (H. Igor Ansoff, "Strategies for Diversification," *Harvard Business Review*, September/October 1957). The key difference lies in how the Segments, Offerings, Needs Matrix focuses on customer need and leads management to a better understanding of how to apply the Tenets and Foundations of Return Driven Strategy.

veys, so picture yourself walking in the customer's shoes and along the customer value chain.

In the southeast quadrant of the matrix, management should consider how to fortify offerings in existing customer segments. "Offerings" encompass product, service, and all interactions that shape the idea of the offering. What is needed to fortify existing customer segments? What innovations can be made to offerings? Where can operations become more efficient or more effective to better deliver existing offerings? What Genuine Assets can be leveraged to create unparalleled offerings in the existing market segments? What additional research needs to be done to better determine the needs of existing customers? Similar questions should be asked in each quadrant.

Customers have limited resources to pursue the fulfillment of their needs, including limitations on time and money. That means convenience and ease of obtaining an offering and price should be considered in the offering.

How is the Segments, Offerings,

Needs Matrix used? At the executive management level, it has been used to prioritize the various strategic initiatives being considered. It has helped management to understand where the strategic options are on the matrix and, more importantly, to keep focusing on customer needs and the goal tenets of Return Driven Strategy. At the business unit level, it has been used to connect a specific strategic option to the overall business strategy.

Genuine Assets and Significant Forces of Change

For each quadrant in the matrix, these two foundations of business strategy must be considered. The attractiveness of a particular market segment, offering, and unmet need is first characterized by the Genuine Assets a company has to target it. If the firm has truly genuine, irreplicable assets, it has a better chance of sustaining competitive advantages in that particular business initiative. That translates directly into sustained returns on investment.

Significant forces of change must

also be considered in every aspect of a business initiative as defined by the segment, the offering, and the otherwise unmet customer need. Many companies fail to adequately recognize and manage around changes that occur over time. Legal and regulatory change, scientific and technological breakthrough, and population, demographics, and culture shifts can all affect existing and new strategic initiatives. That means a business must closely monitor and more accurately predict how these forces will affect customers, their needs, and the company's ability to fulfill them uniquely. Companies that do this best enjoy the highest levels of ROI and growth rates—over sustained durations—creating massive financial value. ■

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