

Small Business Segmentation

Dr Clive Corder

21 November 2006



Market Segmentation

In addition to BSMs 3 further market segmentation options:

- Market Segments
- Optimism Index
- Financial Penetration



Market Segments

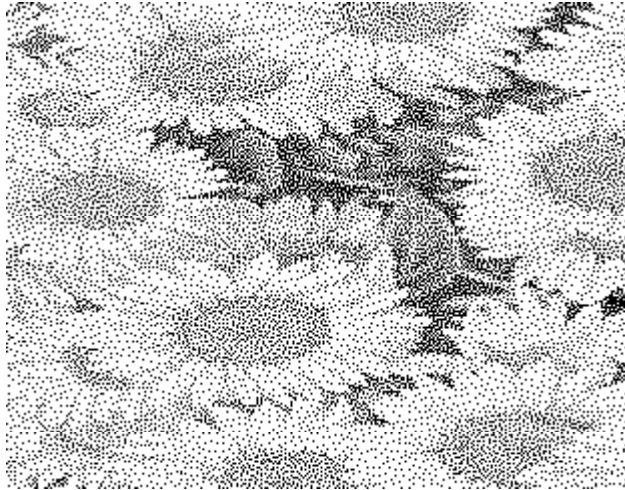


Market Segments

- Based on level of agreement on 17 attitudinal statements
- 3 segments identified
- Statistical analysis done by Prof Jacky Galpin included correlation, Metric Multidimensional Scaling (MMDS) and factor analysis with varimax rotation



Positives – 301,000 (29%)



Positives – 301,000 (29%)

- Optimistic about their business and environment in which they operate
- Enjoy the work they do and are satisfied with what they have achieved
- Feel they will be even more successful in the future
- View government as creating opportunities for small business
- Consider that SA political landscape is positive and present economic conditions are favourable
- Feel the need for further training and development to improve their business ability.

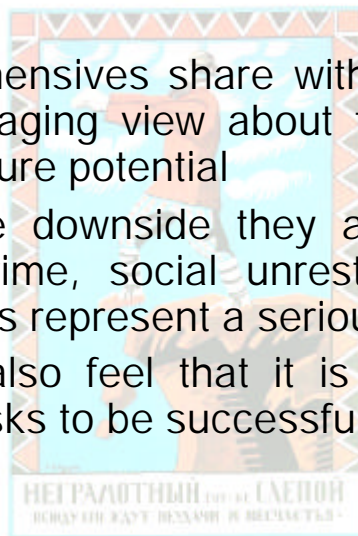


Apprehensives – 296,000 (28%)



Apprehensives – 296,000 (28%)

- Apprehensives share with Positives an encouraging view about their business and future potential
- On the downside they are concerned that crime, social unrest, strikes and protests represent a serious threat
- They also feel that it is necessary to take risks to be successful



Negatives 457,000 (43%)



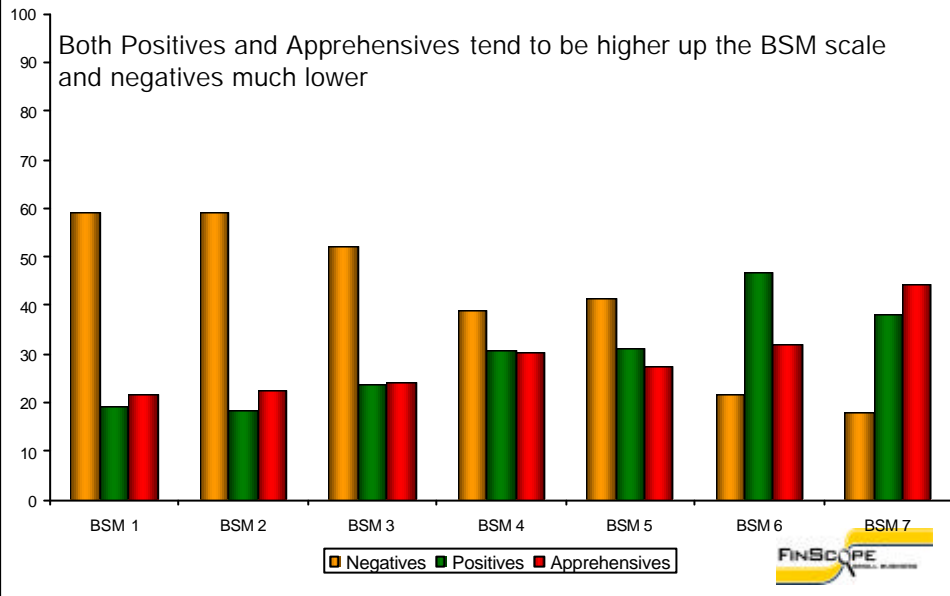
Negatives 457,000 (43%)

Largest Group:

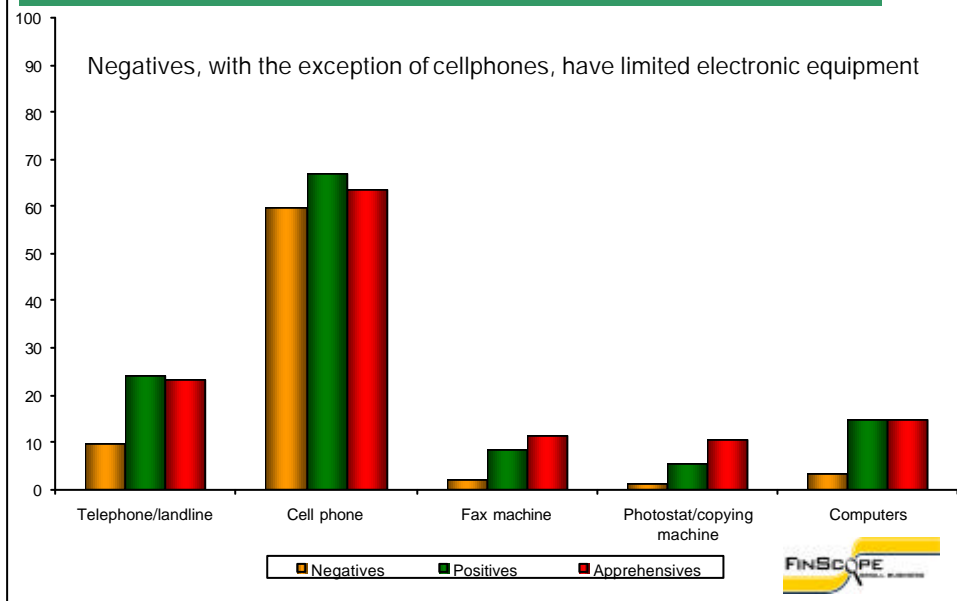
- Have a dismal view about what government is doing in terms of programmes for small businesses, service delivery and regulations
- Feel that they do not have the same opportunities as others and would take a job with a regular income if one was on offer
- Some would even consider leaving South Africa for good, if the chance arose



Market Segments by BSMs:

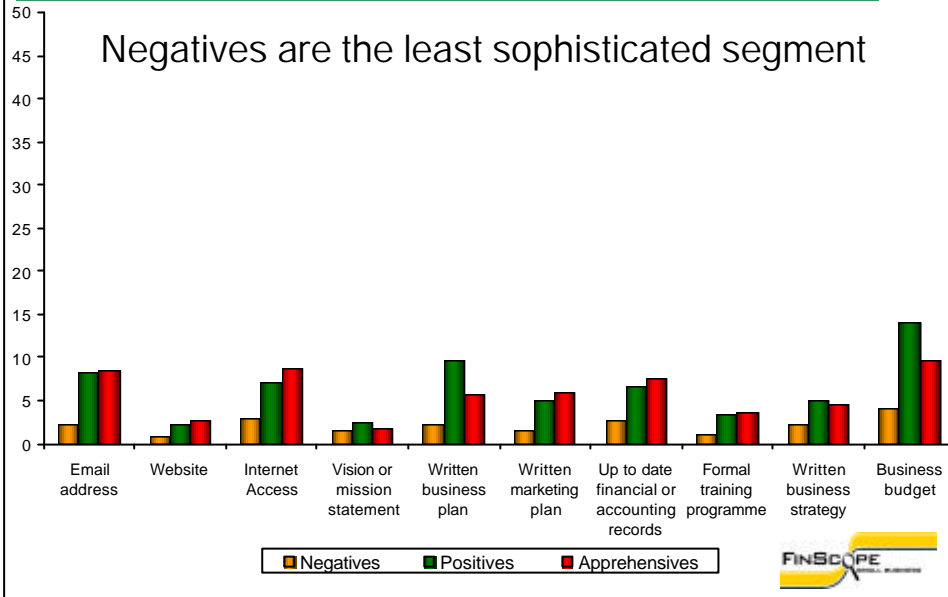


Market Segments: Electronic Equipment



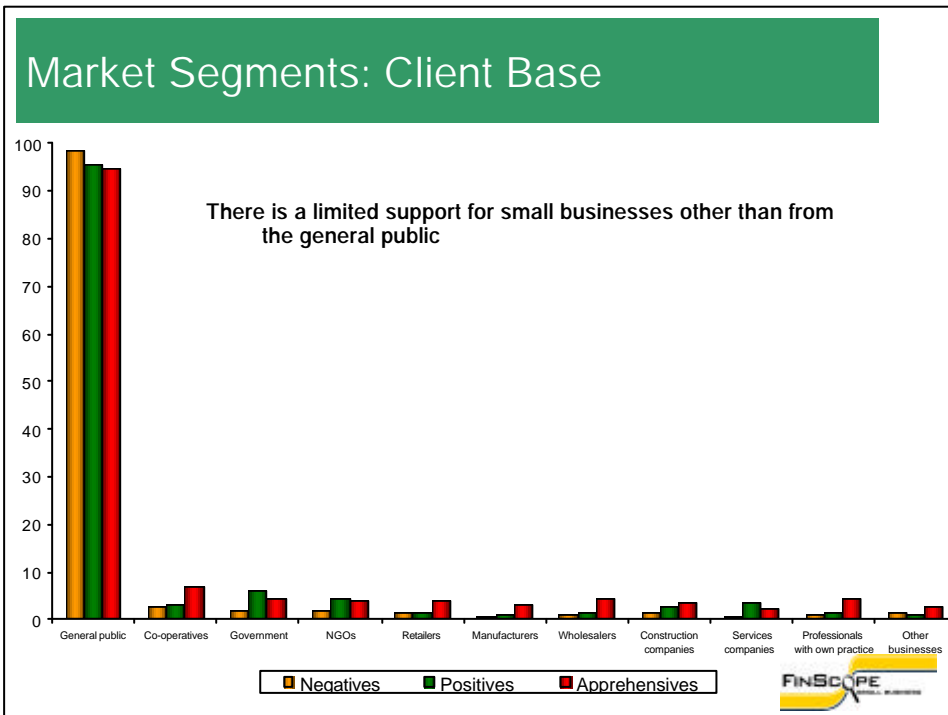
Market Segments: Business Planning

Negatives are the least sophisticated segment

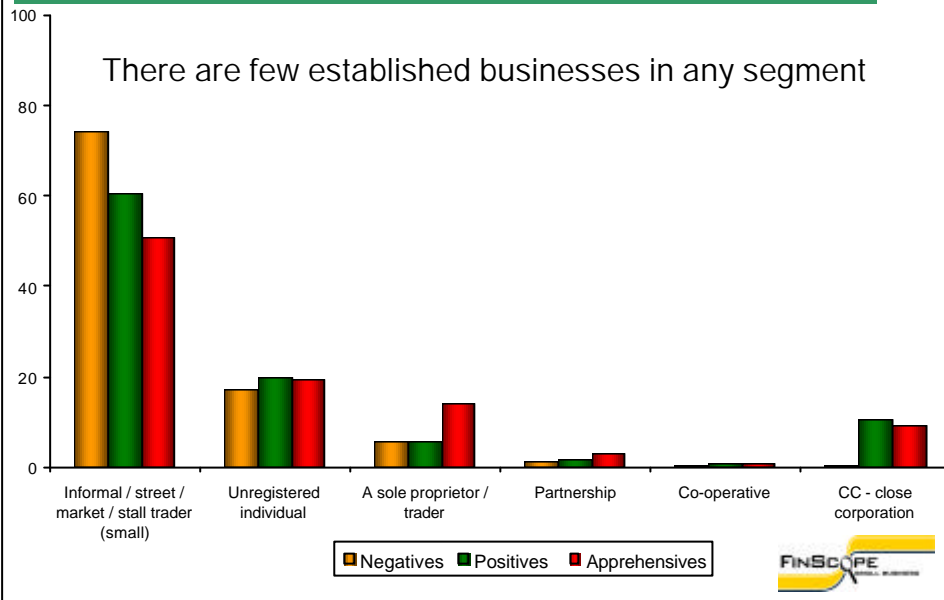


Market Segments: Client Base

There is a limited support for small businesses other than from the general public



Market Segments: Formal vs. Informal



Optimism Index

Optimism Index

Composite of:

- **Business Optimism**
The extent to which business people considered that they are doing well
- **Self-perception**
The degree to which people are confident in themselves
- **The Economic Environment**
A view concerning whether conditions are positive for business in South Africa
- **Confidence in Government**
The degree to which Government is felt to be acting in the best interest of business



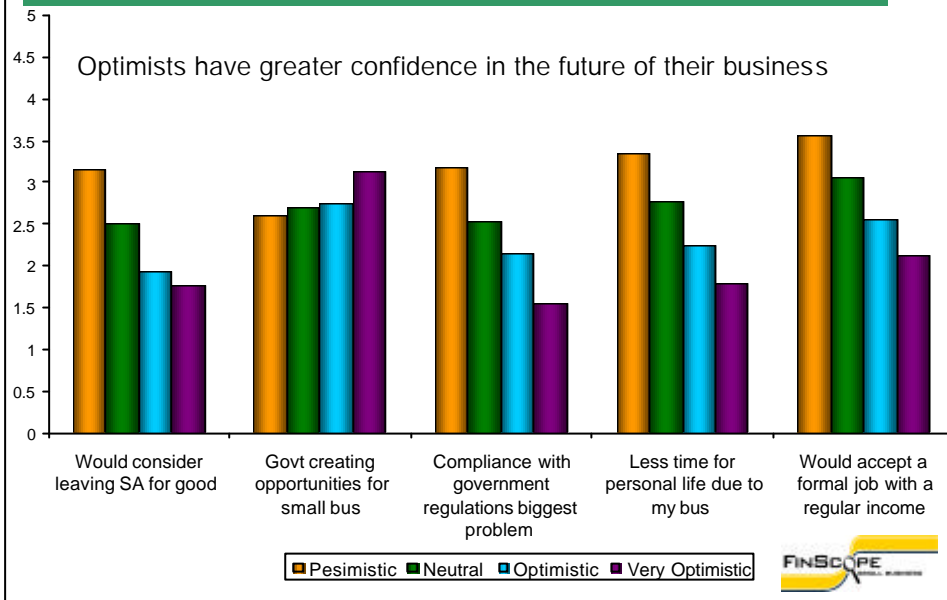
Optimism Index

Four levels:

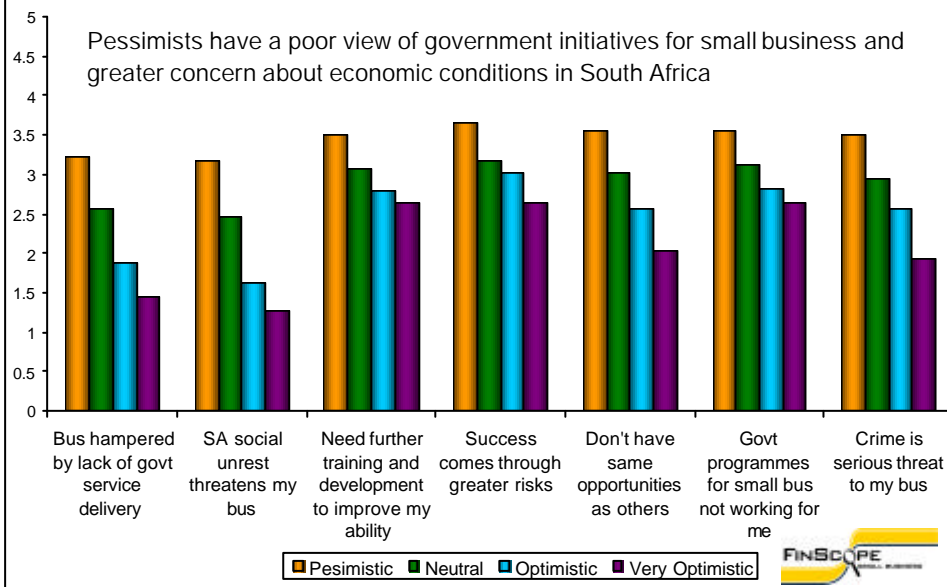
- **Pessimistic**
(269,000 businesses - 26%)
- **Neutral**
(273,000 – 26%)
- **Optimistic**
(316,000 – 30%)
- **Very Optimistic**
(195,000 – 19%)



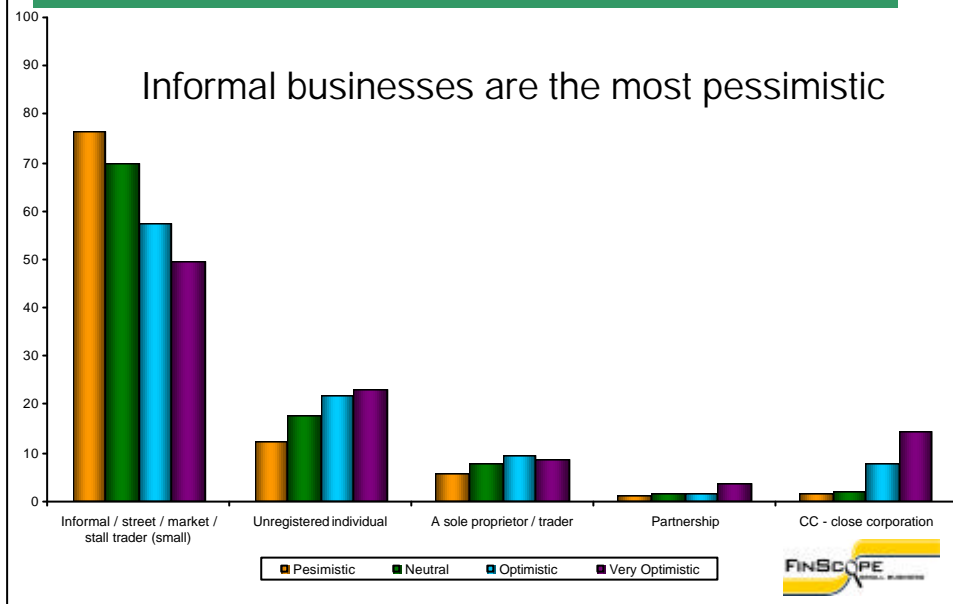
Optimism Index: Beliefs Regarding Business



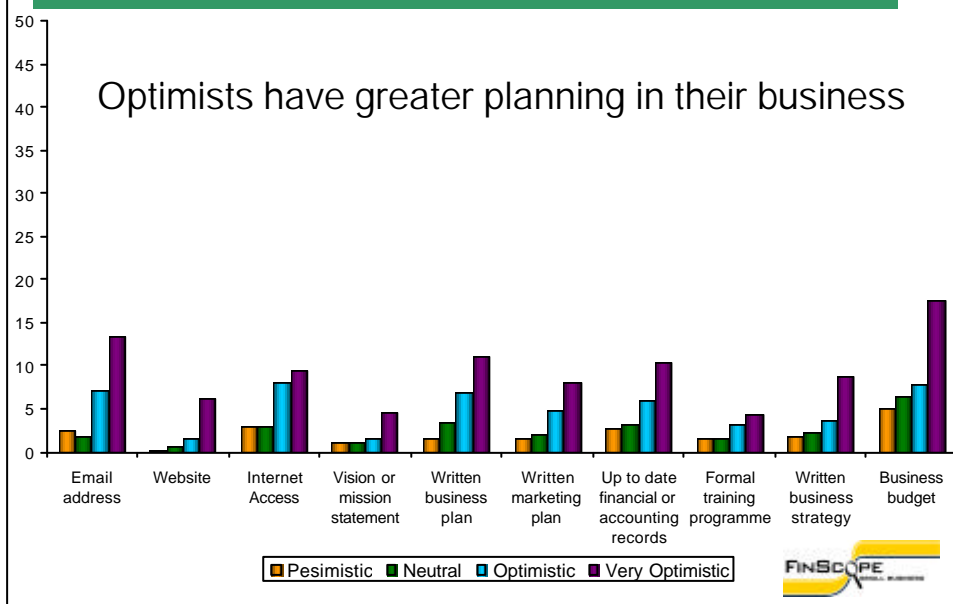
Optimism Index: Beliefs Regarding Business



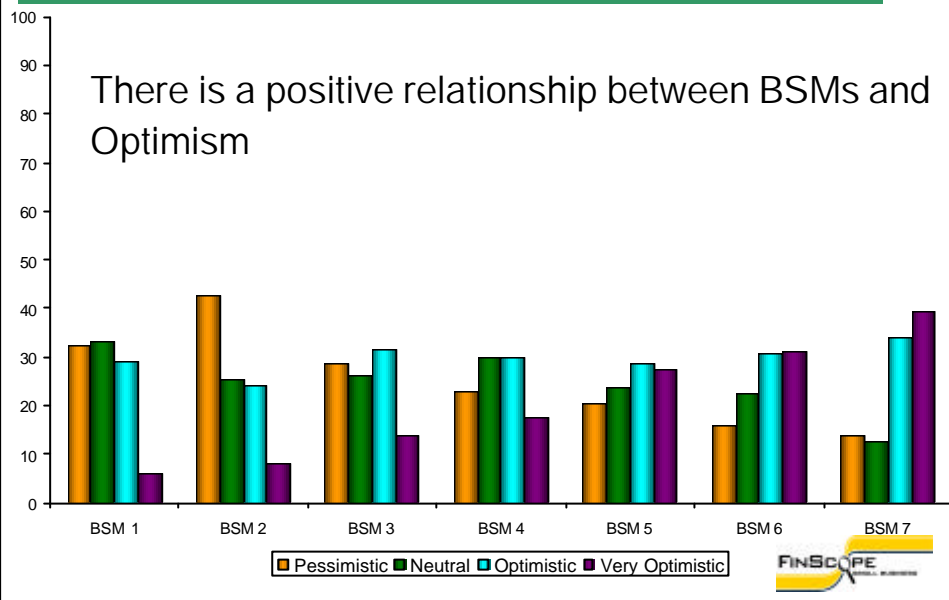
Optimism Index: Formal vs. Informal



Optimism Index: Business Planning



Optimism by BSMs



Financial Penetration



Financial Penetration

A key aspect in the development of Small & Medium Businesses is usage of financial services



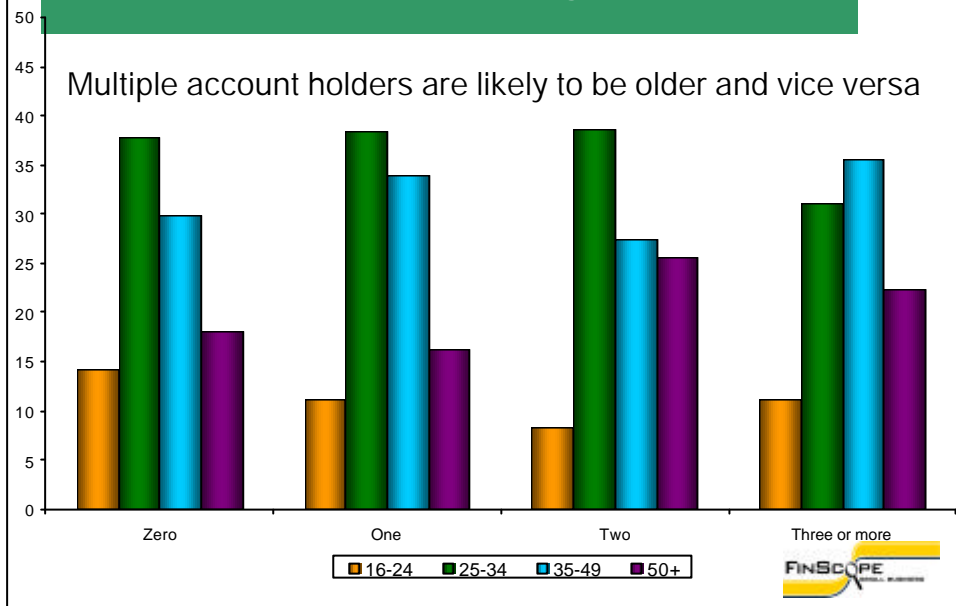
Financial Penetration

Four groups:

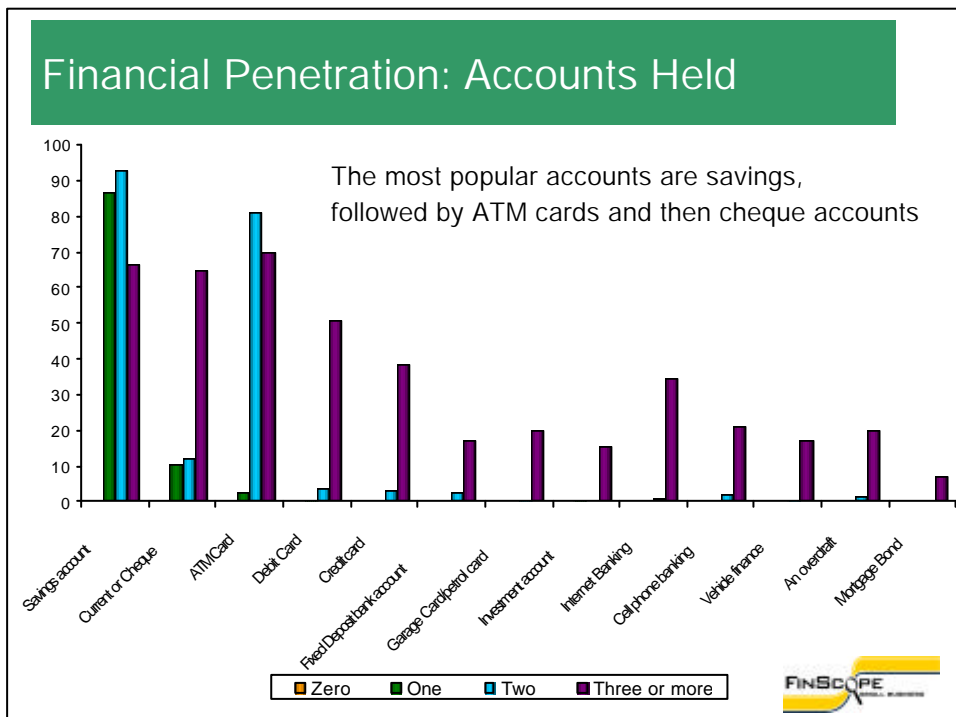
- **Do not use any service**
(510,000 businesses – 48%)
- **Use only one service**
(355,000 – 34%)
- **Use two services**
(84,000 – 8%)
- **Use three or more services**
(106,000 – 10%)



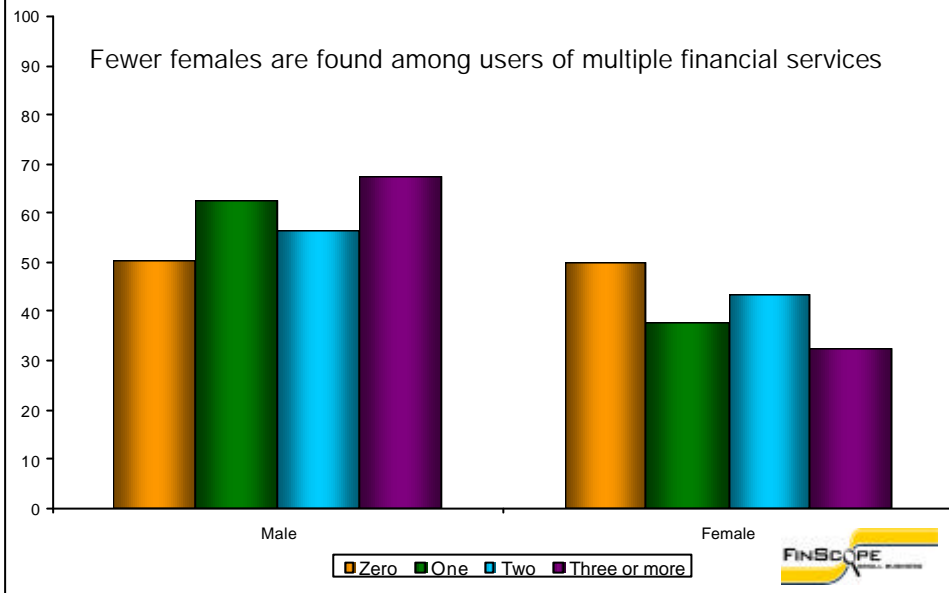
Financial Penetration: Age



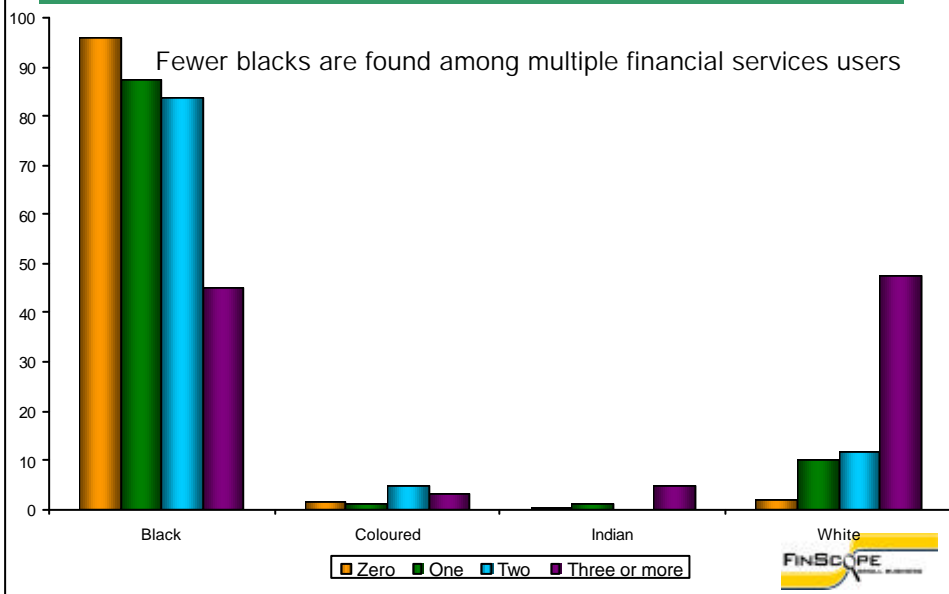
Financial Penetration: Accounts Held



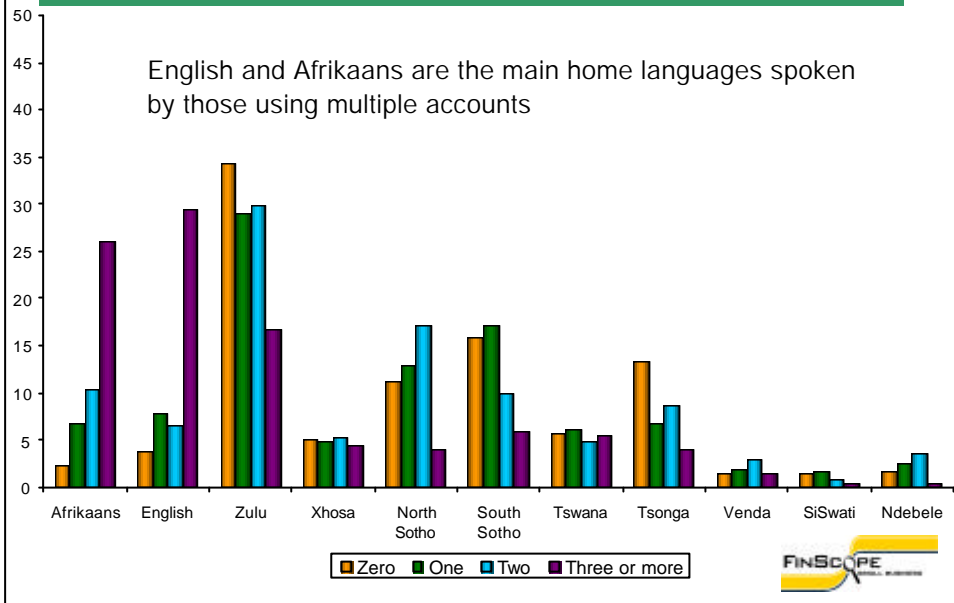
Financial Penetration: Gender



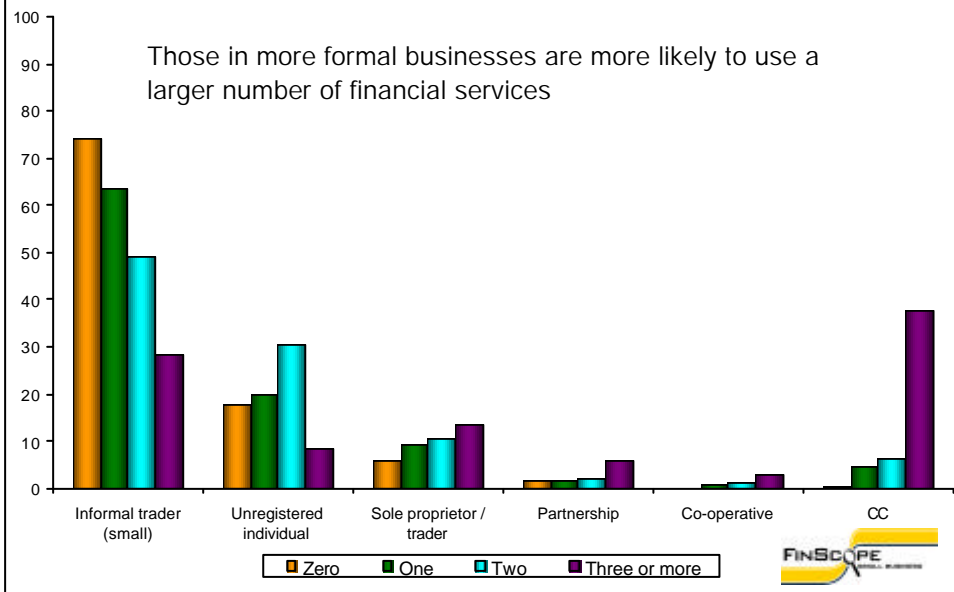
Financial Penetration: Race



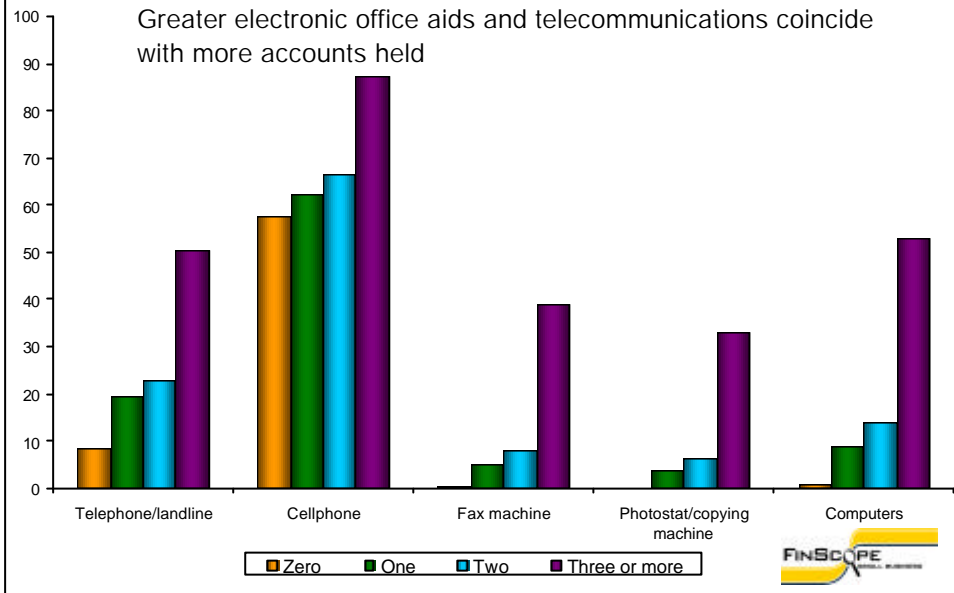
Financial Penetration: Language



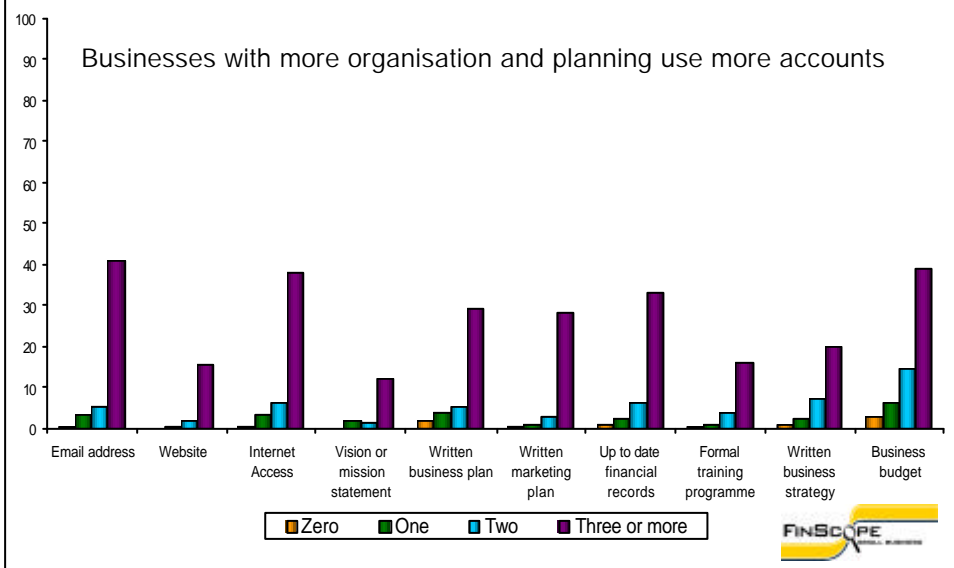
Financial Penetration: Formal vs. Informal



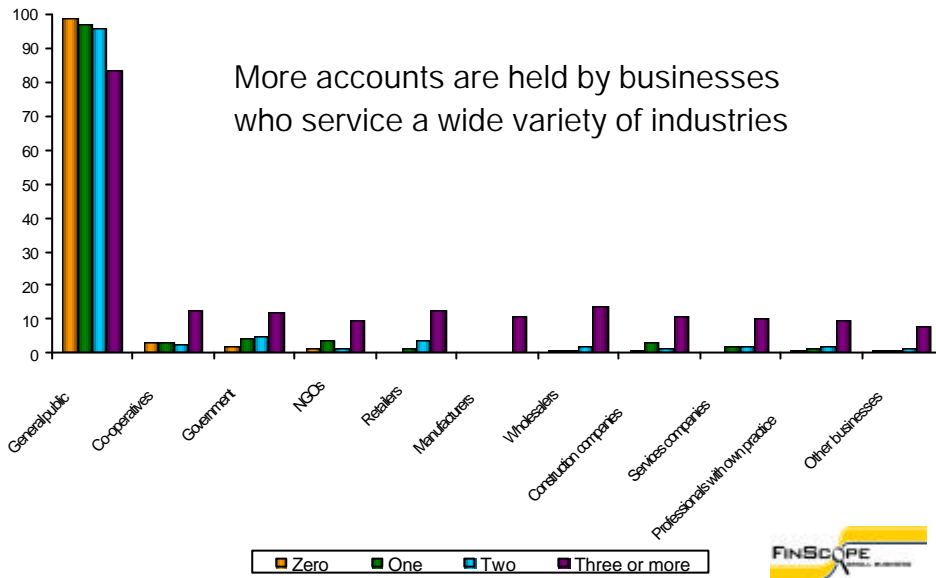
Financial Penetration: Electronic Equipment



Financial Penetration: Business Planning



Financial Penetration: Customer Base



Small Business Segmentation Workshop

Dr Clive Corder
Thank You

