GO-TO-MARKET STRATEGY

Customer segmentation is not an ideal customer profile

Customer segmentation describes groups in a declared population; an ideal customer profile qualifies fit for a motion. They answer different decisions.

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PUBLISHED
11 September 2026

READING TIME
7 min

WORDS
1,534

https://isoglu.com/insights/journal/customer-segmentation-is-not-an-ideal-customer-profile/

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MANAGEMENT SUMMARY

Customer segmentation and an ideal customer profile can use the same fields, but they are different commercial objects. Segmentation describes groups in a declared market or customer population under an explicit exclusive, overlapping, nested, or weighted membership rule. An ICP is a qualification hypothesis about accounts or customers that fit a declared commercial motion. Smith separates market segmentation from product differentiation and treats differences in demand as a reason to address groups separately. Haley's benefit segmentation adds a decision-oriented boundary beyond descriptive purchaser factors. Neither source validates a modern ICP checklist. Neither label proves profitability, conversion, retention, willingness to pay, or product-market fit.

Keywords: Customer Segmentation · Ideal Customer Profile · Benefit Segmentation · Go-to-Market Strategy · Customer Intelligence

A customer segmentation and an ideal customer profile can share the same account fields and still answer different questions.

Customer segmentation describes meaningful groups or profiles within a declared population so a decision can differ across them. An ideal customer profile qualifies which units fit a declared commercial motion. A segmentation design may be mutually exclusive and exhaustive, overlapping, nested, or weighted; its membership rule must be stated. Segmentation asks how the population differs. An ICP asks whether a unit belongs in the motion's intended population.

That distinction matters when the same company uses one spreadsheet for market analysis, target-account selection, personalization, and sales prioritization. A neat list can be a useful input and still be the wrong object for the decision in front of it.

What question does customer segmentation answer?

Segmentation starts with a declared population and defines groups or profiles that are meaningfully different for a stated purpose. The groups may be mutually exclusive, overlapping, nested, or weighted, depending on the declared membership rule. The unit might be a household, account, user, buying committee, or market. The decision might concern a promise, service path, route, price, product configuration, or research design. Without the unit, membership rule, and decision, "segment" is only a label.

Smith (1956) distinguishes market segmentation from product differentiation as alternative marketing strategies. His argument is about disaggregating demand and designing separate market offerings when differences in demand make a single undifferentiated approach less useful. It is a historical strategy argument, not a modern data-science recipe and not an ICP study.

The operational test is therefore simple: name the population, unit, membership rule or boundary, and decision that should change. A segment may be descriptive at first. It earns an operating role when a team can say what it will do differently at the boundary and which evidence will show that the action occurred.

The existing article A segment is real when a decision changes owns that general actionability test. This page owns the narrower comparison with an ICP.

What question does an ideal customer profile answer?

An ideal customer profile begins with a commercial motion. It describes the characteristics that make an account or customer a plausible fit for that motion: the problem context, operating environment, ability to adopt, buying situation, required access, or other declared criteria. The profile is a qualification hypothesis, not a claim that every unit with those characteristics will buy.

The word "ideal" can hide the decision it is meant to support. An ICP for outbound account selection may ask whether an account fits the target motion. An ICP for a product-led sales motion may ask whether usage and organization context justify a human follow-up. An ICP for partner distribution may ask whether a firm can reach and serve the intended customers. The object changes when the motion changes.

An ICP therefore needs its own unit, inclusion rule, evidence object, owner, refresh trigger, and failure mode. A field such as "enterprise" is not evidence until the team states how enterprise is defined and what decision follows.

The ABM selection article owns the distinction between selecting accounts and personalizing communication. The ABM resource-allocation article owns the resource decision that follows account selection. Both are adjacent to this comparison, not substitutes for it.

Why can the two objects use the same evidence?

Firm size, use case, geography, technology environment, buying role, service burden, and observed behaviour can appear in both a segmentation analysis and an ICP. Shared fields do not make the objects identical. The question is what the field is being used to decide.

Haley (1968) argues for benefit segmentation as a decision-oriented tool rather than relying only on descriptive purchaser factors. Benefits sought can distinguish groups and can then be related to descriptive characteristics. That is useful evidence for designing a segment boundary. It does not turn a benefit statement into proof of account fit or expected profitability.

The same evidence about a need could therefore have two legitimate uses. In segmentation, it may show that a population contains groups seeking different outcomes. In an ICP, it may become an inclusion criterion for a motion designed around one of those outcomes. The data field is shared; the unit, decision, and error are not.

Which fields should a segmentation and ICP comparison keep separate?

Table 1 Segmentation and ICP answer different decisions

Object	Primary question	Unit and inclusion rule	Decision owner	Evidence object	Failure mode
Customer segmentation	How does the declared population differ?	Declared population and an explicit membership rule for exclusive, overlapping, nested, or weighted groups	Market or customer insight owner	Need, behaviour, value, context, or constraint evidence	Groups differ on paper but change no decision
Benefit segmentation	Which benefits or outcomes distinguish groups?	Respondents or accounts grouped by benefits sought under an explicit membership rule	Research or offer owner	Benefit statement linked to a decision	Benefit language is treated as realised demand
Ideal customer profile	Which units fit the intended motion?	Eligible account or customer under declared fit criteria	Go-to-market or sales owner	Fit evidence and disqualifier record	Fit label is treated as a buying prediction
Target-account list	Which named units should enter the motion?	Named accounts passing the ICP rule	Account-selection owner	Inclusion, exclusion, and review reason	List is mistaken for a complete market view
Account prioritization	Which eligible units receive scarce capacity first?	Eligible units ranked under a declared capacity rule	Commercial resource owner	Priority reason, capacity, and review date	Ranking hides the population and trade-off
Refresh and test	When should the object change?	Declared event, period, or evidence threshold	Data or process owner	Version, trigger, outcome, and unresolved status	A stale profile is treated as current truth

Author's comparison framework grounded in Smith (1956) and Haley (1968). The six rows and criteria are author synthesis; no customer or account data is used.

The table is not a taxonomy to copy. It is a separation device. It asks whether the team is comparing groups, qualifying fit, selecting named accounts, allocating capacity, or checking whether an old rule still deserves to be used.

When should segmentation and ICP design be combined?

Combine them when the segmentation result is being used to define or revise the ICP for a declared motion. The sequence should remain visible:

1. define the population and unit;
2. identify differences that matter for the decision;
3. choose which differences belong in the motion's fit hypothesis;
4. write inclusion and exclusion rules;
5. test the rule against a declared outcome or constraint; and
6. version the rule when the evidence or motion changes.

This keeps an ICP from becoming a universal description of the market. It also keeps segmentation from becoming an unreviewed list of personas that never changes a promise, route, service path, or resource decision.

The customer-selection article owns the later decision about scarce capacity. It should receive a qualified population and an explicit priority rule, not an unexamined "best customer" label.

How can a team test whether the distinction changes a decision?

Run one motion for one declared period. Keep the segmentation object and the ICP object in separate columns, even if they share fields. Record the unit, inclusion rule, owner, evidence, decision, refresh trigger, and failure mode. Then observe whether the boundary changed work or a constraint.

For a segmentation rule, test whether the groups receive a different promise, service path, price, route, or retention action. For an ICP rule, test whether eligible units enter the intended motion and whether disqualifiers are recorded. Do not call the rule successful because the list looks plausible.

The minimum review record is:

- the population and unit;
- the segmentation boundary or ICP inclusion rule;
- the decision owner and changed action;
- the evidence object and data source;
- the refresh trigger and version; and
- the outcome, constraint, or unresolved status.

That test makes the two objects comparable without pretending they are the same. It also gives the team a clear merge condition: if both objects always drive the same unit, decision, and refresh rule, the second label may be unnecessary.

What does neither segmentation nor an ICP prove?

Neither object proves profitability, willingness to pay, conversion, retention, or product-market fit. An account can fit the profile and fail to buy. A segment can show a distinctive need and still be too expensive to serve. A target list can be strategically chosen and still contain no measured outcome.

Smith (1956) and Haley (1968) give the historical reasons to keep segmentation tied to demand and decision relevance. They do not provide a modern ICP validation study. The defensible conclusion is narrower: use segmentation to make meaningful groups and differences in a declared population visible under an explicit membership

rule, and use an ICP to state which units fit a declared motion. Keep the decision, evidence, and failure mode beside the label.

Haley, R. I. (1968). Benefit segmentation: A decision-oriented research tool. Journal of Marketing, 32(3), 30–35. https://doi.org/10.1177/002224296803200306

Smith, W. R. (1956). Product differentiation and market segmentation as alternative marketing strategies. Journal of Marketing, 21(1), 3–8. https://doi.org/10.1177/002224295602100102

END OF ESSAY

HOW TO CITE THIS ESSAY

Isoglu, S. (2026, September 11). Customer segmentation is not an ideal customer profile. Sinan Isoglu. https://isoglu.com/insights/journal/customer-segmentation-is-not-an-ideal-customer-profile/

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