



Market Segmentation

Discover the future

"companies cannot connect with all customers in large, broad, or diverse markets [...] identifying and uniquely satisfying the right market segments are often the key to marketing success"
Kotler & Keller

But what are the *right* segments? Historically we may have defined them in terms of basic demographics like age, gender, income, region etc. Or, if we are considering a b2b market, in terms of business size or industry etc. But is this always the best approach?

An alternative approach would be to define segments in terms of attitudes and needs. Here we would look to identify segments based on characteristics that make people respond differently to your brand, your category and emerging market trends.

This creates a form of market segmentation that allows you to clearly identify which market segments to target and provides you with the insight you need to design highly relevant offers and messaging for each segment.



A good market segmentation should ...

Clearly categorise your market into meaningful segments.

Define how large these segments are.

Explain the opportunity each segment represents.

Tell you about the mindset of customers in each segment.

Highlight what makes each segment different & differentiated.

Explain what media and messaging is relevant for each segment.

Our approach to a full market segmentation project



Setting clear goals

Based on our conversations with your organisation the first thing we need to do is define a clear objective for our segmentation. This objective should be phrased as follows:

"Our segmentation will be designed to explain"

What we need to explain will vary depending on your needs but here are some examples:

- *...what motivates some people to be active in the category and not others.*
- *...what makes someone a good prospect for our new service.*
- *...what messaging should we use to appeal to different types of prospects and how do we get the right messages in front of the right people?*

These are just a few examples.



Developing early stage hypotheses



What is the aim of hypothesis development?

Considering our goals, we need to create a strong list of behavioural characteristics that might help explain why different people may respond differently to our proposition.

For example, we might identify that some people are motivated by a concern for the environment and that this sometimes plays a role in their decision to buy your brand. Perhaps there are other people who appear to be more motivated by a desire to get the latest tech?

These are all pieces in our segmentation puzzle – potential factors that might explain behaviour in relation to the questions we want to answer.

Our key goal at this stage is to ensure we create a list of everything that might potentially be important in our study.



How might we develop our hypotheses?

We can use a number of approaches either in isolation or in combination depending on the requirement:



Knowledge held in your organisation: During the first phase of work we would certainly aim to canvas the opinions of different people in your organisation who have had interactions with different customers, prospects and partners in the market. We can collate their views on customer behaviour and attitudes so that we make full use of existing market knowledge.



Reviewing & curating existing sources: A wealth of information exists on the internet. By exploring and distilling relevant sources such as the media, industry forums and discussion boards, social media feeds etc we can build up a picture of different patterns of customer behaviour and divergent views in your market.



Qualitative research: In-depth conversations with customers and prospects can reveal important insight into what people are thinking, what aspirations they have and what is motivating them. This helps yield important clues into what may inspire particular groups of people to behave in a particular manner & what inspires others to behave differently.

The “dos” and don’ts” of hypothesis development

What we **should** aim to do...

- Develop a good list of different mindsets, attitudes and opinions that we feel might help to explain our key questions.
- Sense check that your marketing and sales people feel that these represent distinct behaviour traits around which a sales / marketing campaign can practically be designed.
- Ensure that these are relevant in explaining the key questions that form the ultimate goals for the project.
- Develop some broad/flexible hypotheses as to possible segments that might exist: e.g. a environmental conscious segment, a technology motivated segment etc.

What we should **NOT** aim to do...

- Develop tightly defined hypothetical segments that we aim to “test” in the segment development phase of our work.
- This is because any hypothetical work we do at this stage will be based on anecdotal information / small numbers of people.
- Therefore, during the next phase of the project, it is probable that the segments found will **not** be the same as any tightly defined hypothetical segments proposed. They may well be similar but not the same.
- Presenting tightly defined hypothetical segments to your team at this stage could therefore create false expectations that later undermine confidence in the exercise.

Our approach to a full market segmentation project



Approach for segmentation development

Primary segmentation development is generally undertaken using quantitative research & should cover:

- A good measure of how engaged people are with the category & questions that directly enable us to establish their relevance to our key question. e.g. measure their potential to become a customer, business partner, etc.
- A measure of all the factors that influence relevant behaviour and engagement in the category (as identified in the previous phase; so, for example, their attitudes to the environment, their attitudes to technology, their attitudes to branding, their fears for the future, etc.) This will help us group people into meaningful segments based on their mindsets, such that we can be sure that everyone in a particular segment is likely to respond similarly to particular marketing messages. This will allow us to design specific messaging will resonate with them effectively.
- Questions that allow us to address the different segments once we have defined them. So, for example, if we find four different segments, we might find that one of these is more likely to be accessible via Facebook, whereas another is more likely to respond to events marketing, etc.

Methodology

Needs based segmentation analysis:

- Using statistical analysis of our survey results we first confirm key factors that are shown to drive behaviour.
- These factors may well match some of the factors we identified as part of our earlier hypothesis.
- However, we may identify new/different factors, or factors that work in combination with each other. Some of the influences we suspected might be important in our original hypotheses may transpire, at this stage, to have only a limited influence. Others may emerge as more important than we first thought.
- Using these factors we run what is known as a cluster analysis. This groups people together into meaningfully different segments based on their attitudes and their mindset.
- This will create addressable market segments, differentiated by behaviours and by how the people within them interact with the category and respond to your offering.

Deliverables



Key requirements for our final segmentation: All segments described must be...

Identifiable: it should be easy to tell which segment someone belongs to because they have a distinct / characteristic mindset.

Significant: i.e. a large enough segment to be worth considering.

Reachable: You need to know what media/channels will reach them.

Differentiated: in so far as different segments clearly represent different levels of opportunity for your business.

Actionable: you need to be able to develop a clear, practical, business plan that enables you to target the most appealing segments with a relevant offering.

Reasonable Longevity: you need to be confident the segment definitions will remain relevant over time (and are not based around transient fads)

Addressing our original goals

At the end of segmentation project we will:

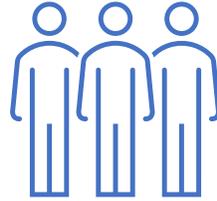
- Describe the segments we have found.
- Show how they meet our “Key Requirements”.
- Show you why they are relevant to your business goals.
- Show you how you can target each segment (channels, media etc).
- Explain what kind of messaging you need to develop to resonate with each segment.
- Provide you with the help and tools you need to be able identify which segments your customers and prospects would fall into.
- Provide you with clear, simple pen portraits for each segment that will enable anyone in your organisation to easily understand how each segment is defined, why they are important and what kind of prospect/customer behaviours mark them out.

Working with us

Our design approach

We always start by getting to fully understand your needs:

- It's important to ensure we get a full brief from your key people.
- So that we understand what you need to discover about the market.
- And we can make full use of existing knowledge in your organisation.
- And ensure we get full buy-in from key stakeholders early on.
- That way we get the clearest possible picture of:
 - a) what your business already knows, and...
 - b) what it needs to find out.

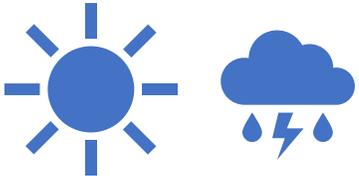


What we deliver

We feedback our findings in a report form best suited to your needs. In it we will:



Explain the key findings of the project. Creating a clear narrative that helps you discover important insights about your market.



Relate our findings to the specific circumstances of your own organisation; outlining the potential opportunities and threats that they represent. Recommending possible actions and strategies you might take.



Facilitate a suitable form of de-briefing to help your organisation to disseminate the information and make practical use of it. Depending on your needs, this might be anything from a simple de-brief presentation to a more interactive workshop/brainstorming event.

Contact us for more information or to discuss a potential project

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