



Turning Segments Into Targets:

Bringing Your Segmentation Into Practical
Targeting Applications





Introduction

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The Marketing Environment

- Consumer access to information
 - Elimination of price differentials
- Category blurring
 - New competitors, replacement products (e..g., airlines, teleconferencing)
- Low-cost plays (off shore; big boxes)
 - Increased price competition
 - Erosion in brand loyalty
 - Trend toward commoditization

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The Marketing Environment

- **Fragmentation**
 - Of categories (smaller pies)
 - Less customers, profit to go around
 - Increased profit, margin pressures
 - Within category (smaller shares)
 - Fewer success stories in each category

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The Marketing Environment: Consequences

- **Perpetual margin pressure**
 - Drive costs down
 - Stock market rewards growth
- **The importance of ROI**
- **Focus and targeting...**

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The 3 Things Companies Do to Develop Profit and Value

- Attract profitable customers
- Retain profitable customers
- Increase profitability per customer

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Profitable Customers*

- If the customers are profitable, the business will be profitable
- If the customers are unprofitable...
 - ...fire the customers
 - (Note to speaker: tell the joke about the 2 brothers and the truck)

***You can't say that often enough.**

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Attract Profitable Customers

- Customer acquisition
 - (Once called “trial”)
- **Who** are they?
 - Who are the profitable customers in my category?
- **How** can I target them?
 - What are the most cost-efficient means of focusing resources on profitable customers?

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Retain Profitable Customers

- (Once called “repeat”)
- Customer Relationship Management
 - Service and satisfaction as science
- Marketing axiom: “It is cheaper to keep a customer than to gain one”

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Increase Profitability per Customer

- **Maximize customer lifetime value**
 - Cost efficiencies
 - Up-selling
- **Re-align business model around most profitable customers**

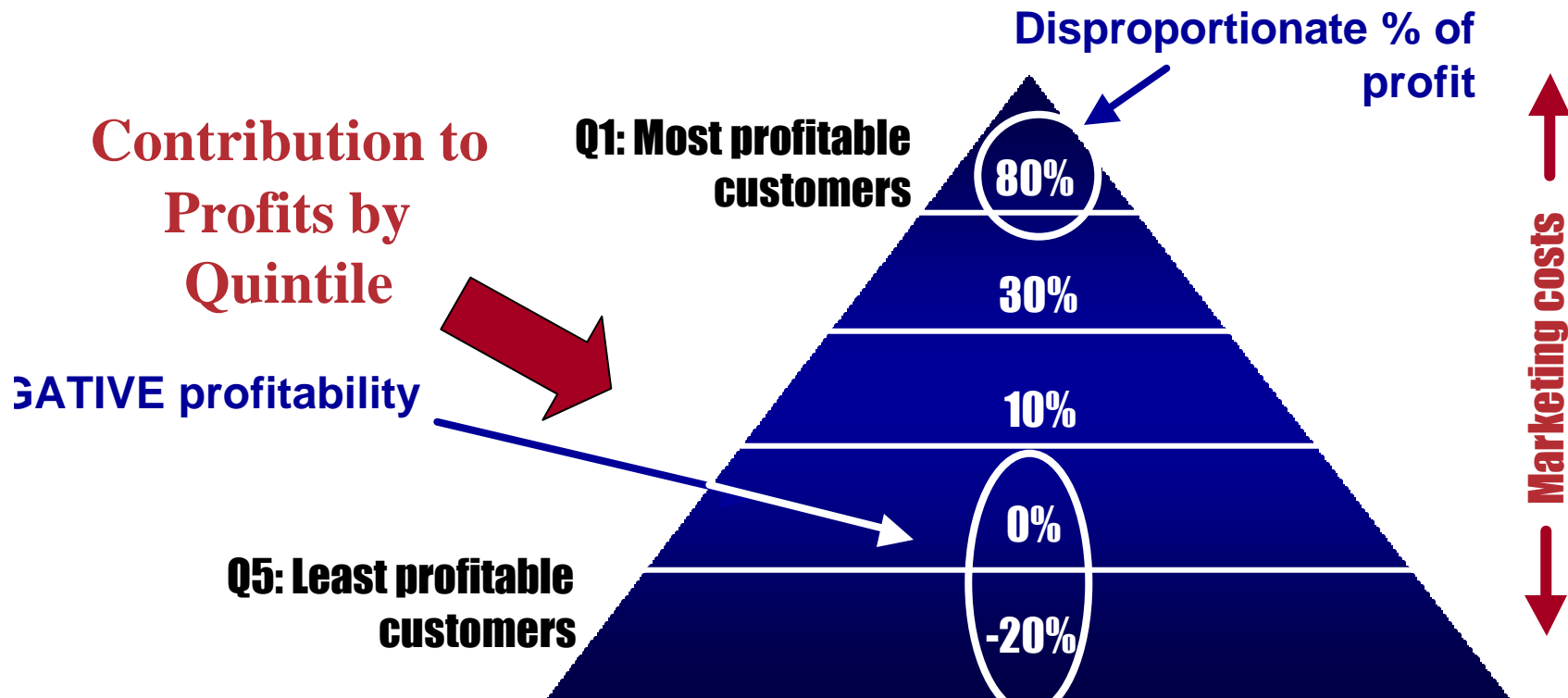
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All Customers Are Not Created Equal



Inspired by Halberg, Garth; All Consumers Are Not Created Equal: The Differential Marketing Strategy for Brand Loyalty and Profits; 1995

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The Profitable Customer is the Only Real Long Term Asset

- A market leader is heavily invested in the asset of a plant for manufacturing product
- A competitor develops a new low-cost manufacturing procedure
 - Is that physical plant still an asset... or has it become a liability?

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The Scarborough Experience

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Local Market Qualitative National Market Research

- Dialoguing with marketer companies  development of analytic offerings...
 - List enrichment, clustering, segmentation
- ...to help customers develop marketing, targeting, “brand presence opportunity” strategies
 - Advertising; direct marketing; co-branding; sponsorships; partnerships, events

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Data Base Integration Illustrated

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Customers

Stuff You Know

000001	X X X X X X X X
000002	X X X X X X X X
000003	X X X X X X X X
000004	X X X X X X X X
...	X X X X X X X X
...	X X X X X X X X
...	X X X X X X X X
...	X X X X X X X X
...	X X X X X X X X
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1,000,000	X X X X X X X X

- Address/zip
- Purchase behavior/transactional data
- Billing history
- Contact history; responses
- Service tiers
- Credit card data (credit history)
- Other appended data (e.g., Axciom, other third party list vendors)

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Clustering/Segmentation

Who are my best customers?

For lack of a more precise description, persons characterized by their "teal-ness"

- Most likely to be high profit customers

Cannot identify them by demographic or other real descriptors

How do I reach them efficiently?

— When my marketplace looks like this

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Clustering/Segmentation: How it Works

- Use defining set of characteristics to slice the universe up into chunks
 - Chunks should be homogeneous (people in a chunk should resemble each other)
 - Chunks should differentiate (people in one chunk should be distinctly different from people in the others)
- A cross-tab is a simple segmentation
 - Complex segmentations use multiple data fields to find salient patterns

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Clustering/Segmentation In Action

- The marketplace: after segmentation

Cluster 1:
Blue people

Cluster 2:
Dark blue
people

Cluster 3:
Pink people

Cluster 4:
Orange people

Cluster 5:
Gray people

Cluster 6:
Teal people



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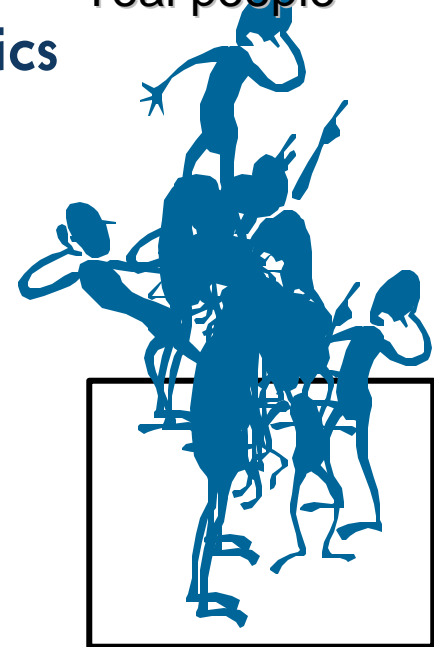
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Clustering/Segmentation In Action

- The marketplace after segmentation: the “teals”
 - Homogenous with respect to the characteristics driving the segmentation (Their “teal-ness”)
 - Unique demographic; qualitative/product usage skew
 - Unique patterns of media usage, exposure, response

Cluster 6:
Teal people



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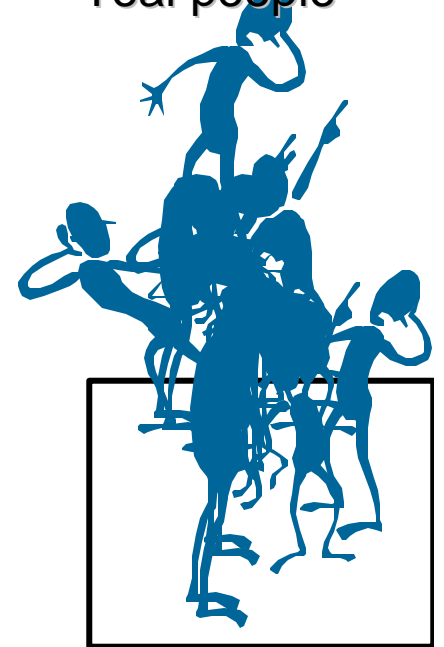
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Clustering/Segmentation In Action

- What I can know about the “teals”:
 - That they are my best prospects
 - How and where they shop
 - What they buy
 - How to reach them
- Without segmentation, I would not have found them

Cluster 6:
Teal people



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On "Selectivity and Concentration"

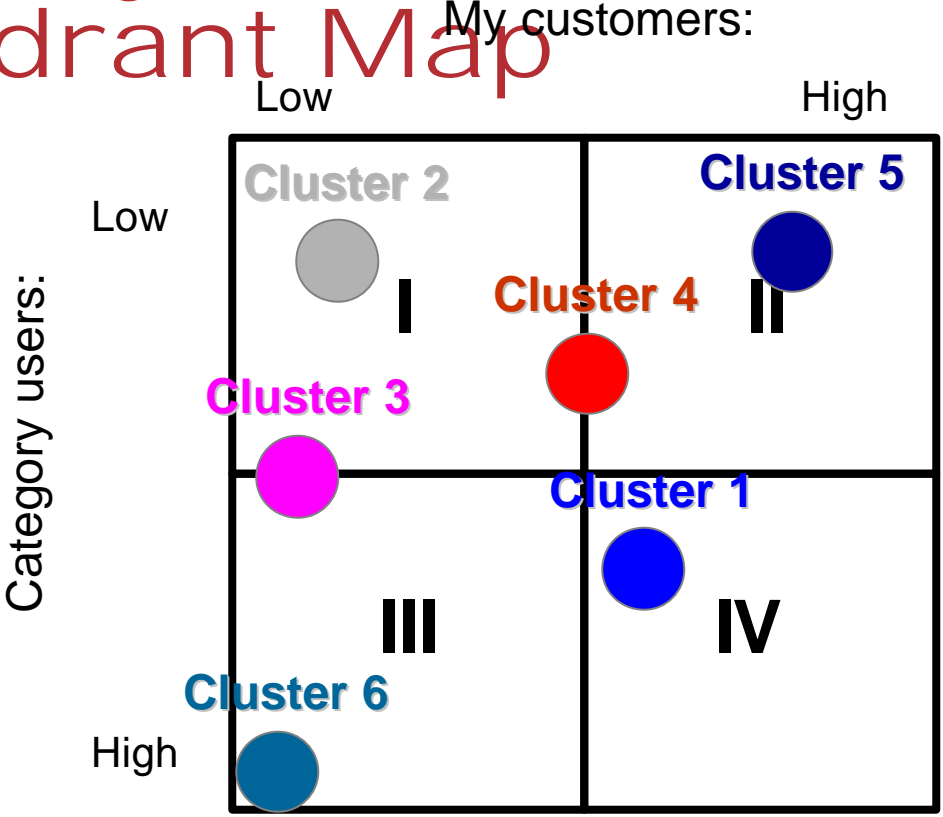
“The central strategic issue is not just developing a segmentation approach, but also acting on those results by selecting segments for efforts and *concentrating resources on them* to the exclusion of alternatives.”

--Hulbert, Capon, and Piercy; Total Integrated Marketing; 2003; page 49

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Overlay: Clusters On a Quadrant Map



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Scarborough & Segmentation

- **Geo-demographic**
 - PRIZM, MicroVision, Mosaic
- **Psychographic**
 - VALS
- **Database driven**
 - Cohorts
- **Sector-specific**
 - Solucient HealthPlus
- **Attitudinal**
 - Yankelovich MindBase
- **Custom proprietary**

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Illustration: Use Segmentation to Develop Targeting Strategies

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Scenario: Customer Acquisition

- The client: a national provider of cellular service
- Objective: identify, isolate, and target cell phone users by DMA who are:
 - Heaviest spenders
 - Least price-sensitive
 - Determine most efficient strategy to allocate marketing dollars against the best prospects

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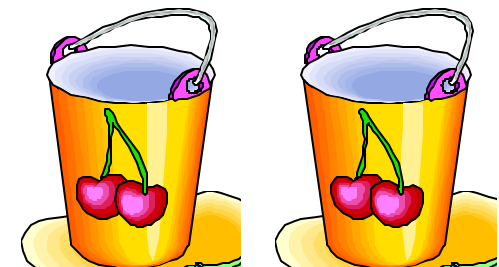
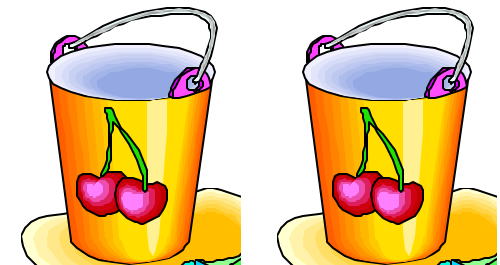
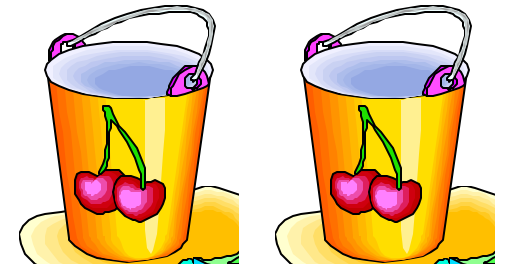
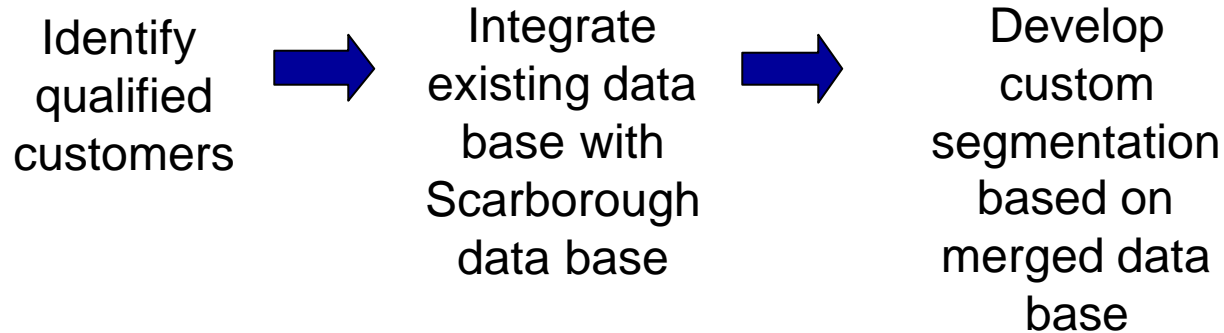


Scenario: Customer Acquisition

- The approach:
 - Integrate customer data with Scarborough data to develop a segmentation scheme
 - Identify current customers fitting profile of ideal target
 - Target segments containing these customers
 - Assumption: new good customers will resemble current good customers

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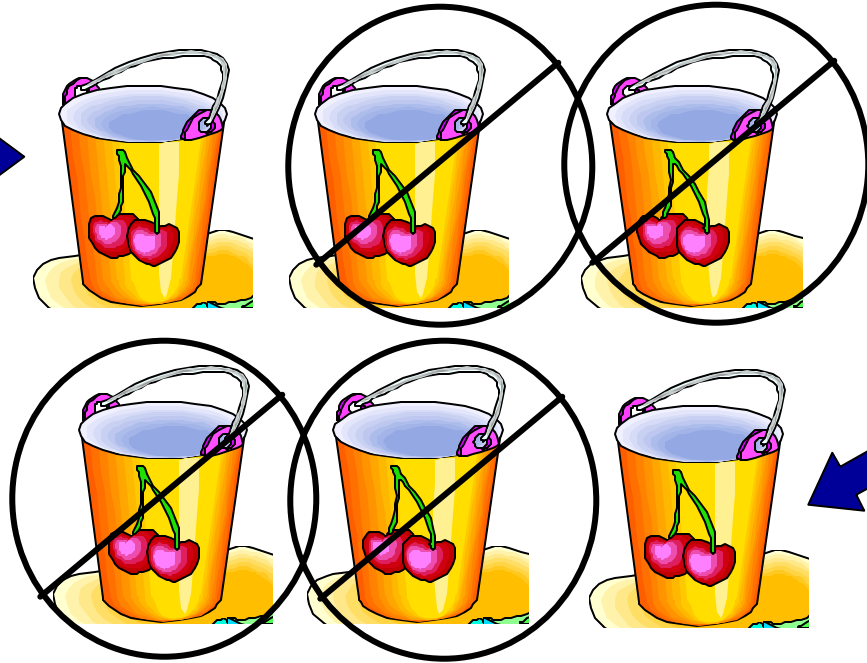
The Process: Segment Customer List



Once we have the “buckets,” the rest of the illustration applies to any Segmentation type

The Process: Identify the Most Efficient Segments

Heavy yield segment in this market



Heavy yield segment in this market

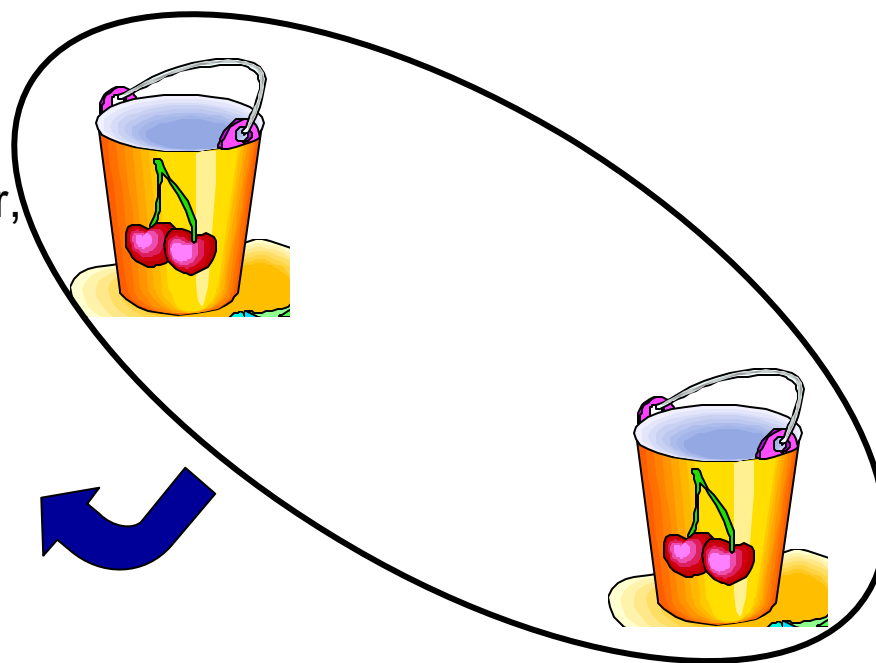
Based on the presence and concentration of qualified existing customers in the custom segments

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Identify Communication & Product Strategies

Scarborough:

- **Media usage** (TV, radio, cable, newspaper, yellow pages, out-of-home, Internet)
- **Direct marketing behaviors** (respond to direct mail; purchase online; etc.)
- **Sponsorship and co-branding opportunities** (lifestyle, shopping, etc.)



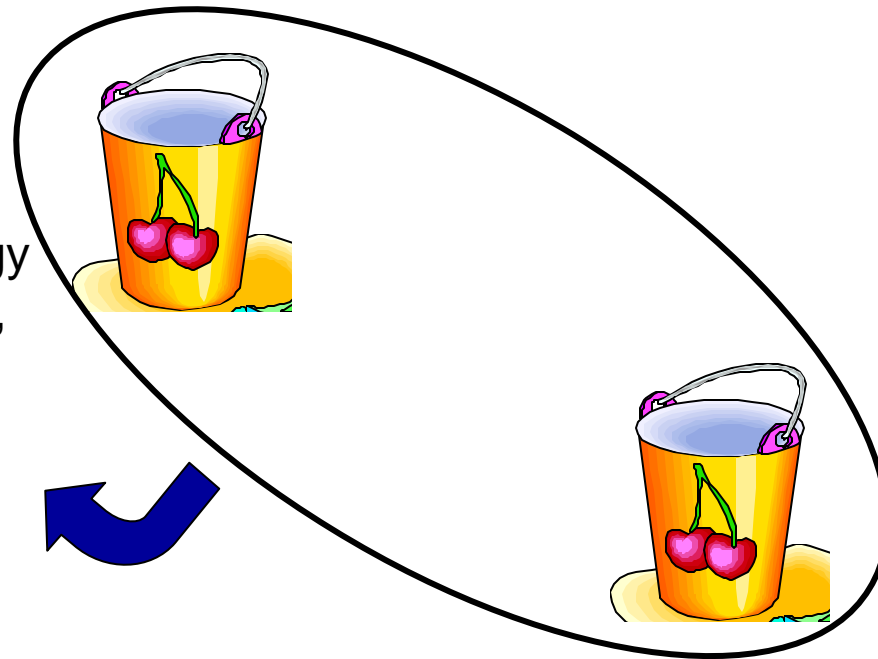
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Identify Communication & Product Strategies

Scarborough:

- **Lifestyle profiling**
(occupation; business, leisure travel; technology usage, leisure activities, etc.)
- Support product development strategies
- Key point: know what your customer is doing when he/she is not with you



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The Outcome

- Identify segments with highest concentration of best prospects
- Allocate of marketing dollars against these segments

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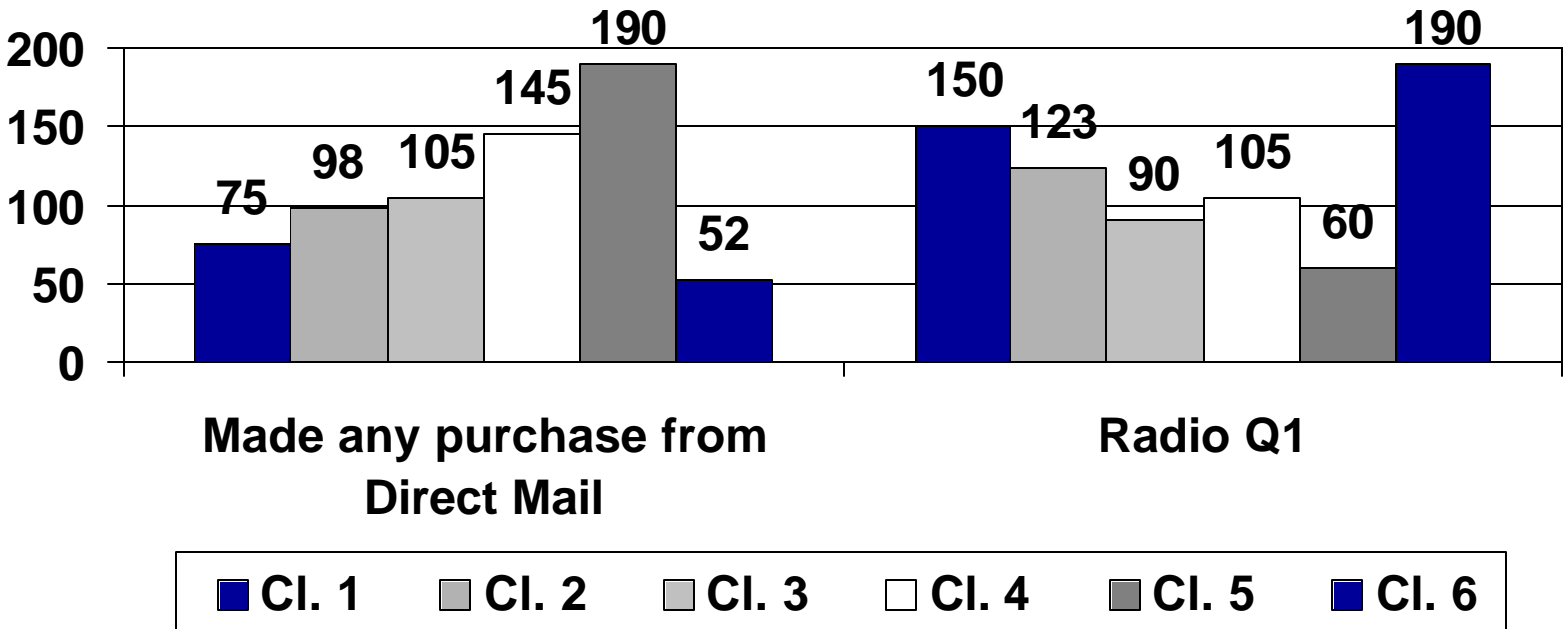
The Outcome

- Inform practical allocation decisions:
 - Direct marketing versus media
 - Specific media selection (TV, cable, radio, print, Internet, place-based)
 - Execution guidelines
 - E.g., TV program genre, daypart; radio formats, dayparts; newspaper sections)

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Direct Mail or Media?



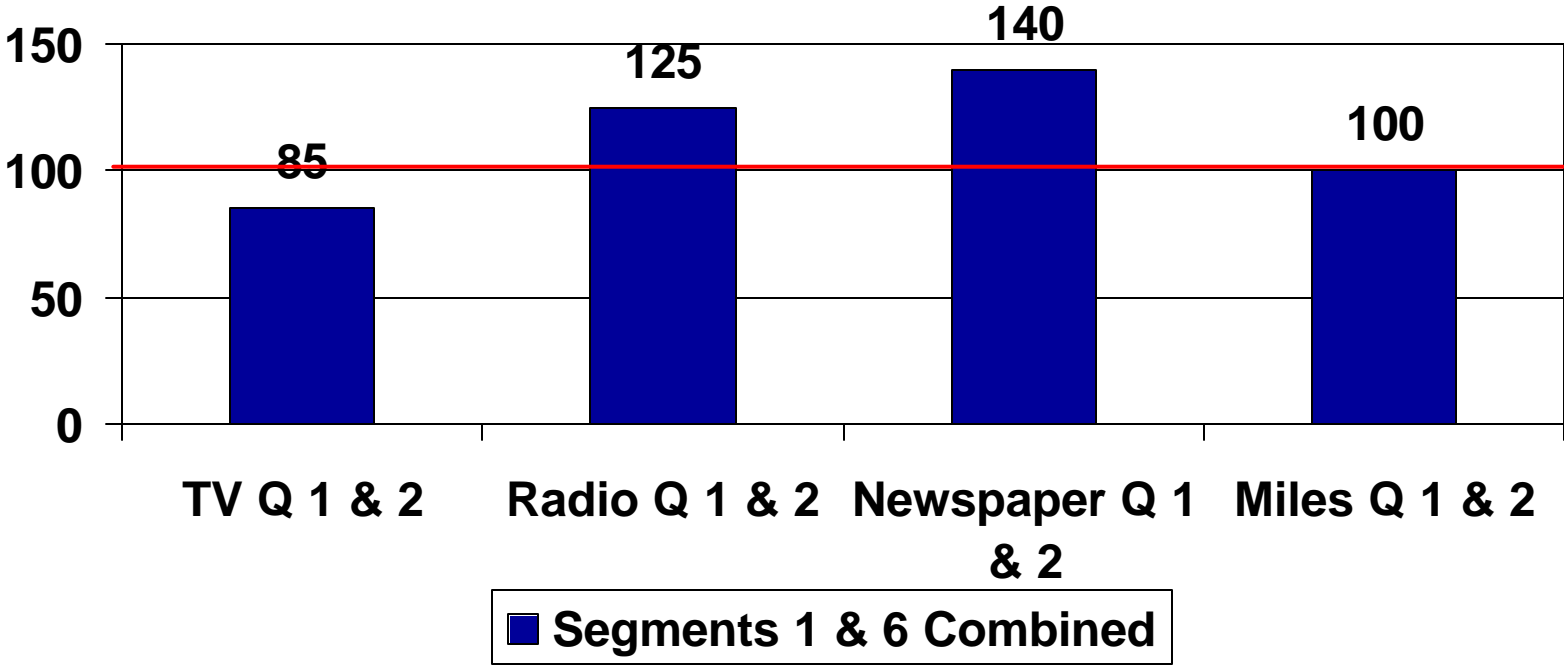
Index against Total 18+ population.

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Media Mix?



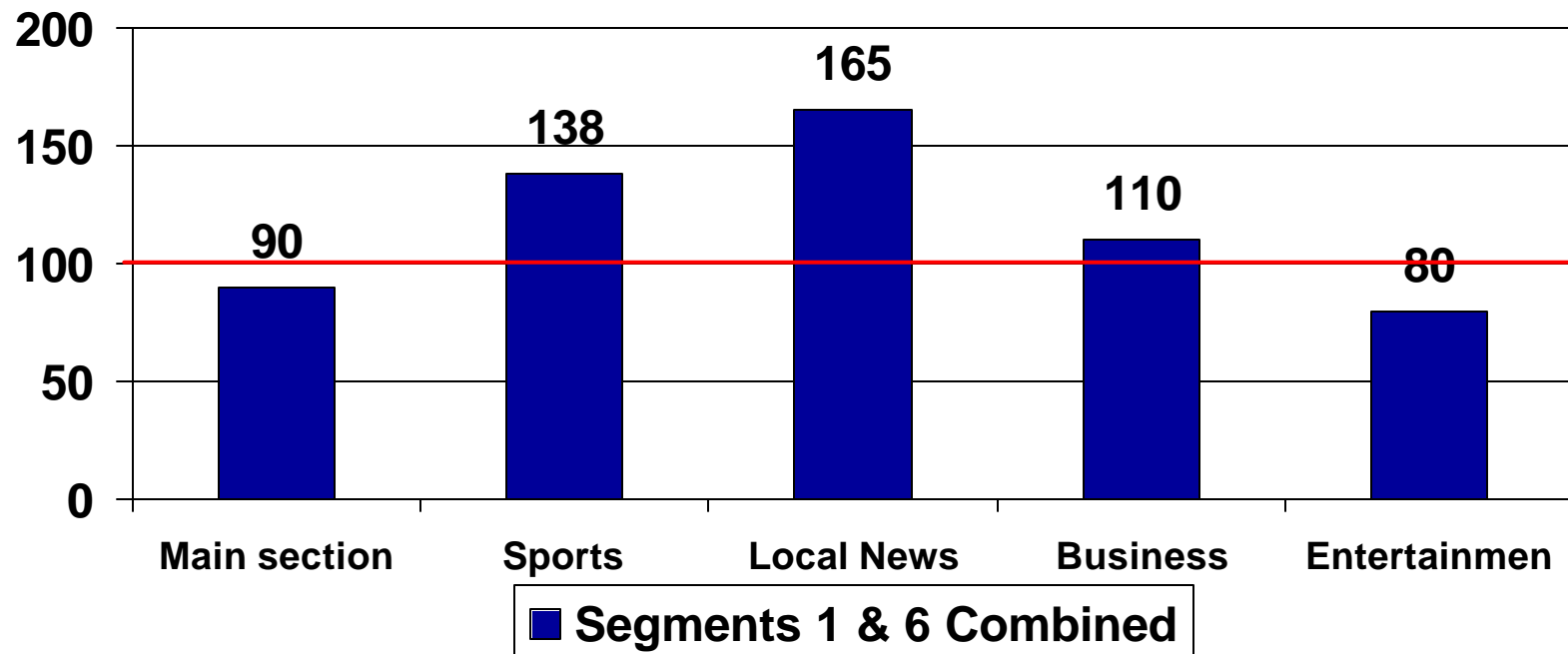
Index against Total 18+ population.

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Media Planning Specs?



Index against Total 18+ population.

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Illustration: Use Segmentation to Develop Creative Executions

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Scenario: Creative Execution

- The client: a major automotive manufacturer
- Objective: Determine best strategies for talking about a new vehicle to target customers
 - Vehicle attributes:
 - Flashy, high performance
 - Safety, excellent gas mileage for the class
- How to talk about the vehicle? To whom?

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Scenario: Creative Execution

- **The solution:**
 - Use *MindBase* segmentation to identify the most lucrative customer types
 - Analyze Scarborough profiles of *MindBase* groups to gain insight into creative execution
- **Note:** database segmentation not complete yet; this is hypothetical and illustrative

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Yankelovich MindBase Segments

- 8 attitudinal groups
 - 3 sub-segments each
- Classification driven by perspectives on individuality, control, social interactions, family, etc.
- Consumers are homogeneous **within** segment, heterogeneous **across** segment, with respect to:
 - Approach to marketplace
 - How consumers receive and react to information from marketers

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MindBase Segments

I am Expressive

my motto is *Carpe Diem*



I am Down to Earth

my motto is *Ease on Down the Road*



I am Driven

my motto is *Nothing Ventured,
Nothing Gained*



I am Sophisticated

my motto is *Sense and Sensibility*



I am At Capacity

my motto is *Time is of the Essence*



I Measure Twice

my motto is *An Ounce of Prevention*



I am Rock Steady

my motto is *Do the Right Thing*



I am Devoted

my motto is *Home is Where the Heart is*



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Consumer Research Results

- The good news:
 - The vehicle distinctly appeals to two very different segments
- The bad news:
 - The vehicle distinctly appeals to two very different segments

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MindBase Segments

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Target Segments

- **Expressive**
 - Expressive and elusive
 - Expressive and evaluative
 - Expressive and exuberant
- **Measure twice**
 - Measure twice and mindful
 - Measure twice and meticulous
 - Measure twice and motivated

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Target Segments

I am Expressive



my motto is *Carpe Diem*

I live life to the fullest and I'm not afraid to express my personality. I'm active and engaged and I embody a true "live in the now" attitude with a firm belief that the future is limitless and that I can be or do anything I put my mind to.

I Measure Twice



my motto is *An Ounce of Prevention*

I'm a mature individual and I like to think of myself on a life path to actualization and fulfillment. I live a healthy, active life. I'm dedicated to ensuring that my future is both secure and highly rewarding and vitalized.

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Using Scarborough, We Find:

- Demographics and socio-economics of these two segments who plan to buy a new car are quite similar...
- ...but each group exhibits distinct lifestyle, leisure, and media skews

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Leisure activity skews




- Extreme sports

- Heavy Internet and technology users

- Light TV, newspaper users; heavy miles traveled

- ESPN, MTV; reality TV

- Night clubs, live theater, rock concerts, movies



- Golf, gardening, crafts, home improvement, photography, tennis

- Heavy newspaper, radio users

- Comedies, dramas; Discovery, CNBC, cable news

- Ballet, museums

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Creative Strategy: I Am Expressive

- Emphasize the vehicle's style, high performance; "the car that says who you are"
- Depict driver using satellite radio, in-car navigation system, talking on cell phone
- Driving through mountains to go rock climbing

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Creative Strategy: I Measure Twice

- Emphasize the vehicle's safety, gas mileage, potential resale value or longevity
 - Cite Consumer Reports or other sources
- Depict driver in task-based situation (shopping, etc.) in a suburban setting
- Show driver in vehicle tuning radio, breathing deeply, settling in behind wheel

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Split Creative Placed Through Different TV/Cable Channels



- Sports (especially extreme sports)
- Reality TV
- Programming about pop culture and entertainment (e.g., E!, Entertainment Tonight)
- Cinema advertising
- Product placement in the new action movie



- Cable news
- Prime time dramas (Desperate Housewives?)
- HGTV, Discovery, History Channel, etc.

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The Result

- Split campaign targeted against two distinct attitudinal groups
- Unique creative appeals, benefit statements, channels
- Little overlap ✍️ maximum net reach
- Key: without the segmentation, the strategy would have remained hidden

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Conclusion

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Conclusions

- Marketplace pressures make it essential to maximize efficiency
- **FOCUS:**
 - Find, target, attract, keep the profitable customer
- Segmentation provides a valuable tool for refining focus...
 - But aligning executions against segmentations can be difficult

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Conclusions

- Incorporation of segmentations into a data base like Scarborough can help bring segmentations to life
 - And make it easier to execute strategies against them
- Different segmentations have different benefits
- Use the right segmentation for identifying and focusing on your most profitable customers
- Layer into syndicated data sources to push segmentations down to the execution stage

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