



Segmentation: Managing the Rock Star of Brand Insight.

Another in a series of strategic, creative and leadership deep dives by Hiebing, an integrated brand development and marketing firm.

Segmentation owns an uneven reputation. For those who have seen its power thoughtfully harnessed, it's an incredibly versatile tool that helps brands build stronger bonds with consumers. For those who have seen it poorly constructed and applied, it can leave a bitter taste and lingering skepticism.

This paper is for believers and the open-minded. It's the hard-learned lessons from 20+ years in market research—the good, the bad and the ugly—to help you get the most out of segmentation. It's a rock star tool. But like many rock legends, it needs good management or things can turn surly.





Segmentation: **Accountable, Employable** **and—Dare We Say—Just All-Around Able**

We're enthusiastic advocates of segmentation. It's a wonderful tool for revealing and understanding complex consumer behavior. It probes psychographics, digs into lifestyles and expands upon demographics and behaviors. Done well, it can simplify and focus marketing to drive results.

Why so? Segmentation helps you identify your target consumer, see your brand through their eyes and uncover ways to deeply connect them with your brand. We've seen it provide much needed focus for marketing activities and crystallize future growth opportunities.

But like anything important, it is never easy. "Garbage in, garbage out" rules this landscape. Segmentation is not a magic black box that spits out wisdom on the back end. The power of segmentation only appears with hard thought and diligent work, before, during and after the study. In this or any economic climate, staying focused and keeping priorities straight are jobs one and two.



Fig. A

When you know the right people, all kinds of good things can happen.

Who Is Your Target?

Consumers, customers, patients, decision makers, end users—these are just some of the terms you may use when you think about the people you are trying to reach with your marketing activities. For the sake of simplicity, we are going to call them consumers. Please know that the principles we will discuss apply no matter what term you use.



Fig. B
No worries.
Traps die of exposure.

The Five Deadly Traps. **Exposed.**

There are five deadly traps in the design, analysis and application of segmentation that can cripple your study from the start.

- 1 » **Looking Through the Wrong Lens**
- 2 » **Not Digging Deep Enough**
- 3 » **Failure to Anticipate Possible Outcomes**
- 4 » **Failure to Test the Actionability of Segments**
- 5 » **Thinking Your Target Will Be Obvious**

Any or all of them can torpedo the best-intentioned study. So it's best to sidestep them altogether. Let's show you how.



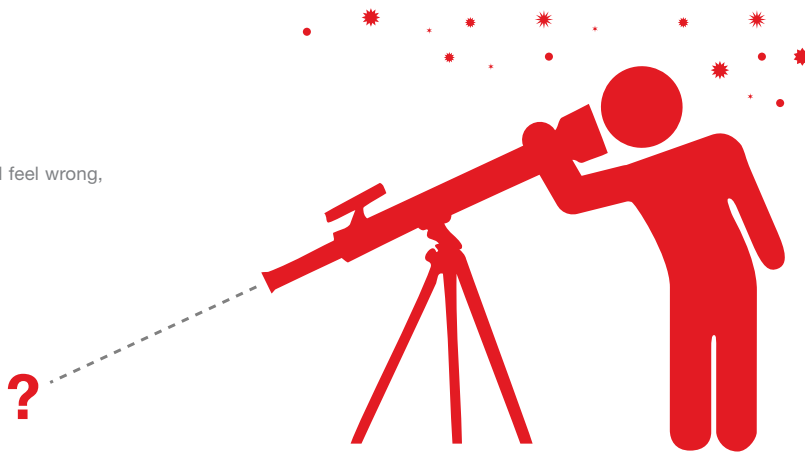
No. 1 **»» Look Through the Wrong Lens, and You See the Wrong Thing**

You're used to looking *at* your business from the perspective *of* your business. You know when your product or service is the fastest, the best tasting, the longest lasting or the most powerful. You might even do research and confirm that consumers want a product or service that is fast, great tasting, long lasting or powerful. All of this, however, is looking at the world through your own lens and interpreting your consumers' motivations to be the same as your own. Sorry, it just doesn't work that way.

No consumer goes to a store thinking, "Gee I really need a product that is great tasting today" or "I will only buy the cleaning products that are proven to be the most powerful." Rather, consumers go to a store or a website thinking, "I really hope I can impress my in-laws at dinner tomorrow" or "I can't believe my toddler spilled grape juice on another one of my blouses." Until you surrender and agree to look at your business from your consumer's viewpoint, you'll have a hard time breaking through and deeply connecting with them.

Fig. C

If things look and feel wrong, maybe they are.



In segmentation research, the trap of looking through the wrong lens usually becomes apparent when segments are comprised of groups like "heavy users," "loyal users" or "lapsed users." If those terms are in your segment names, then you're looking at your business from your perspective, not the consumers'. The clues can also be more subtle with segments comprised of "frozen convenience food buyers" or "dollar store shoppers." Again, that's not how consumers see themselves and that's not viewing the world through their lens.

We aren't saying that it's wrong to look at groups of consumers based on their product usage, shopping habits or brand loyalty. We're simply saying that these sorts of buyer groups should be used tactically, not strategically.



So what's a smart marketer like yourself to do?

Use a consumer lens to define segments. While heaviness of usage, brand usage, shopping behavior (or any other business term for that matter) are important and play a critical role in *profiling* the consumers in each segment, they may not be useful in *defining* segments. Seeing the world as your consumers do means understanding that their thoughts, beliefs and feelings should be the basis for defining the segments. What kinds of questions should you ask? **Read on.**

The Mechanics of Segmentation (without being too techy)

Every segmentation study requires that a decision be made about which variables (attitudes, behaviors, etc.) will go into the model and, therefore, which variables define the segments. (This decision is being made by the statistician and/or the researcher whether you're aware of it or not.) A broader range of variables is usually better because it increases the likelihood that you will identify the elements that most strongly differentiate between segments. This is not without challenges, but it is doable.



Fig. D
See what your target sees—and you'll see opportunities abound.

No. 2 >>> Good Things Happen to Those Who Dig Deeper

Placing a chokehold on your questionnaire leads to lackluster segments that are neither rich nor insightful. If you are too narrowly focused on your business, you will probably write a questionnaire that is too narrowly focused to gain fresh insight.

For example, say you market patio furniture and only ask questions about patio furniture, patios and decks. You'll probably end up with segments that seem expected. You might find one segment that focuses on style and appearance and another that wants durability and comfort. This is logical and interesting, but it is not likely to inspire marketing action.



Now, imagine if you also ask consumers questions about their lifestyle, work and family priorities, the importance of other people's opinions, their personal sense of style and the role of the patio relative to other rooms in the house. Then you might be surprised by what else you learn.

Emotionally driven questions are much more likely to yield rich and actionable insights into consumer segments. Maybe the style-focused segment is really outwardly focused, caring more about what the neighbors think than other segments. Maybe these people don't really like being outside, but it's important that the patio look nice when compared with the rest of the neighborhood patios. Marketing activities directed at this group would focus on style trends, creating a complete look and maybe even providing some separation from nature on the patio.

And the other segment—the consumers who want durability and comfort—may be outdoorsy with a strong family focus. Maybe they go camping and hiking whenever possible. For them, the patio might become the living room during the summer months. Marketing activities could focus on the furniture's ability to help a family bond with each other and with nature in their summer living room.

So how do you avoid creating flat, uninspired segments? Drive your questionnaire to explore a broader range of emotional dimensions. Go beyond expected questions on category and brand. Add lifestyle and values questions. Add questions about related categories or related occasions, questions that allow you to see how your brand fits into the broader context of the consumer's life. Does a longer questionnaire take longer? Sure. Do the results justify it? You bet.



No. **3** **»»** **Three Things to Remember about Possible Outcomes: Anticipate, Anticipate, Anticipate.**

For your study to succeed, it's absolutely critical that you think about what the segments might be and use that thinking to drive the scope of the questions in the questionnaire.

Wait a second! Earlier we talked about the importance of letting the segments fall out based on what's important and differentiating from the consumer perspective. Now we're talking about making sure you've thought about what the segments might be before you write the questionnaire. Are we contradicting ourselves? Not at all.

A segmentation study can only define segments based on the data collected through the questionnaire. One of the most difficult yet most important decisions is determining what goes into that questionnaire. You work on your brand every day. You know a lot about your consumer, your category, your usage occasion and your brand equities. Use that knowledge to hypothesize what the segments might be (emphasis on "might") and make sure you have questions that explore those dimensions that are likely to be differentiating.

On the back end of the study, you'll still want to let consumers drive the definition of segments, but if you don't ask questions that differentiate, those dimensions can't possibly be used in the segmentation.



Fig. E

Louis Pasteur was spot on.
Chance favors the prepared mind.



No. 4 >>> Think Your Segments Are Actionable? Ask Your Inner Marketer to Prove It.

While your analysis is underway, your next challenge is to pick the best segmentation output. And here's the tricky part. *There is never just one solution in segmentation.* There are always many possible segmentation outputs. You or your researcher may need to try different modeling approaches and different combinations of variables until you get a segmentation output that is both powerful and actionable.

How do you identify the best segmentation output? Ask yourself three questions. When you can answer “yes” to each of them (and your statistician tells you he is satisfied with the model fit), then you're on your way.

➔ **Do your segments have personality and life?** It sounds simple, but it can be tough. If you don't feel life or energy when describing your segments, they're not crystallized enough to be actionable. Can you think of someone you know who would clearly fit in each segment? Are you having fun when you speculate about what segment your friends/spouse/co-workers are in?

If the segments don't have personality and energy, you'll have a rough go of getting your company to internalize them. And if they're not internalized, they'll never be used on a consistent basis to guide marketing action.

➔ **Do the segments feel distinct from one another?** Of course there will be overlap between segments, but the overall bundle of attitudes, beliefs and behaviors should seem distinct as you go from one segment to the next. If they're not distinct, you'll constantly be trying to remember which segment is which. Undifferentiated segments simply won't drive marketing action.

➔ **Does each segment profile immediately spark ideas about marketing to that segment?** Segment profiles should stimulate the marketing part of your brain, and marketing plans should start to come to life. When you read about a segment, do you think of communication points you want to make, touchpoints you want to use and new products you want to create? If yes, then you're on your way to success.



Beware the “Anti-Segment!”

Segments become actionable when you know what the people in them think, feel and do. Knowing what people don't think, don't feel and don't do is simply NOT enough to guide marketing action. Say, for example, you define a segment as “fashion driven.” Excellent! Chances are you have a mental image already. Defining the next segment as “less fashion driven,” however, leaves you grasping at straws. You don't know why! No mental picture springs to mind. You have no guidance as to what these consumers believe, feel or want—only that they are less driven by fashion than the first group. That ambiguity leaves the opportunity for rich learning on the table. Insist on segments that illuminate how the people in them think, feel and behave.

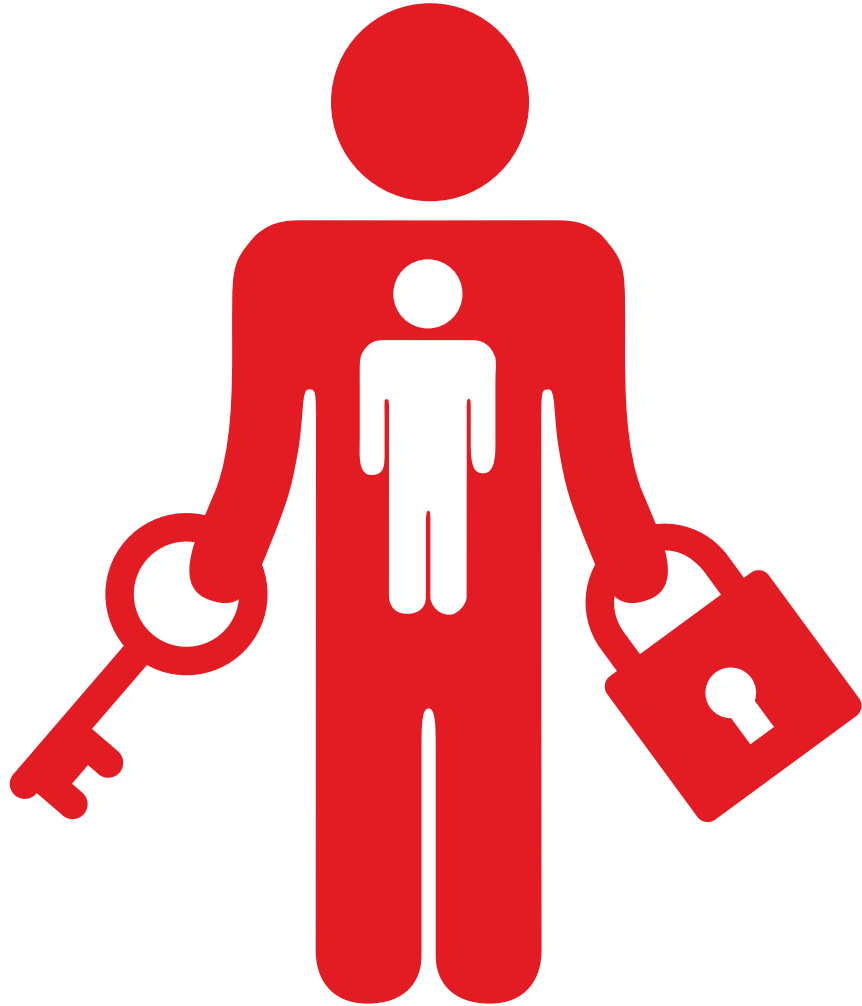
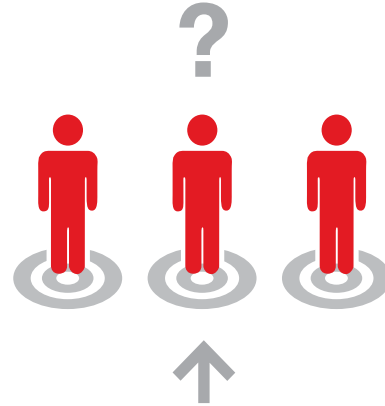


Fig. F
Trust your gut. Trust your gut. Trust your gut.

No. 5 >> The Only Obvious Thing about Targets Is That They Are Seldom Obvious.

Hit fast forward. You've created inspiring and distinct segments and the analysis is done. Congratulations! It should be easy to pick which segment you want to target, right? Yes... sometimes.

Sometimes it's very clear whom you need to target. Other times, probably most of the time, picking the target segment is a very difficult decision. The odds are good that there will be several segments that could help you grow your business. So how do you pick a segment to target? Here are some thoughts to guide you.



➤ **Look first at segments that contain a lot of your current brand users**

There are usually one or two segments that have a disproportionate number of current brand loyalists or advocates...the people who really love your brand. It's easiest to go after these people if (and that's a big "if") you have upside potential with them. Are they really likely to buy more or use your brand more often? Is this segment going to allow you to reach your business goals? If yes, then targeting them is a good place to start.

➤ **If the growth potential there isn't strong enough, look at brand switchers next**

Consider a segment that dates your brand sometimes but hasn't fallen in love yet. It can be easier to grow your business among people that already know about your brand. Maybe you just need to remind them of your brand and its benefits. But watch out if these occasional buyers are heavily price driven. Someone else can always be lower priced and lure your target away.

➤ **Finally, if switchers don't have enough potential, look at converting nonusers**

Sure, this presents a more difficult challenge, but often a more lucrative reward comes from targeting nonusers. Getting people who never buy your brand to start buying it is pure upside, pure incremental sales. Find the segment whose needs best align with what your brand can deliver. Just be sure you have the budget to do it right. Remember, you need to build awareness and make a connection between these consumers and your brand.

➤ **No matter whom you target, make sure you stay true to your brand.**

If going after a group of new users means you need to change what your brand stands for, you risk alienating your current users and losing business. It's almost impossible to bring in enough new users to replenish the volume lost from alienated past users. Changing your brand identity is a very risky proposition that should be pursued only when there is absolutely no other way to meet your business goals.



Your Brand Buffet Is Open to All. But Some Folks Get a Pass to the Front of the Line.

Selecting a target segment means picking who you're going after hardest. It's impossible for a brand to connect *deeply* with everyone. Targeting is based on the belief that it's better to connect deeply with some people than superficially with everyone.

Choosing one segment to target does not mean you're turning your back on the other segments. It simply means you believe one segment offers more upside potential for your brand than the others. Your marketing activities will still reach people in other segments, and your message will connect with many of them, even if they are not the "primary" target.

And So We Come to...the Beginning.

Segmentation may be just one tool in the marketer's toolbox, but it's a power tool. It helps you see the market through the eyes of consumers. It lets you identify who your core target could be to help you grow your business. And it can inspire you to make a meaningful connection with your target by learning about their needs, beliefs and feelings. But in the end, remember that you control just how powerful a tool segmentation will be. After all, it's the manager who books any self-respecting rock star's gigs.

 **Hiebing**



Dave Florin President/Partner



Dave's job is to see that our clients are served by the latest and best practices in our tried-and-true area of expertise: target-market-driven communications. So he has continued to attract top talent from around the country, add new areas of knowledge and set new standards of performance across all communication disciplines. Dave's passion is his proven commitment to client service, creative quality and brand strategy. He teaches marketing planning classes at University of Wisconsin and has been an invited speaker for organizations like the National Retail Federation, the Retail Advertising and Marketing Association, the International Institute for Research and the Investment Council Institute. His client experience includes American Family Insurance, Nestlé, Famous Footwear, Culver's, Coca-Cola, General Motors, Coors, PerkinElmer and JanSport. Dave is married and has three daughters. He is an avid reader who enjoys the great outdoors and anything Wisconsin Badger-related.

Jeane Kropp Director of Brand Strategy/Partner



Clients with brands in over 90 countries have invested over a billion dollars in the new products, strategies and communications that Jeane helped create as a consultant. Her thinking has inspired marketing communication successes such as the MasterCard "Priceless" campaign and the double-digit annual sales growth of Kraft's DiGiorno. She has helped pioneer new strategic models for everything from SKU simplification to packaging concept evaluation. Some of Jeane's other brand experiences include Motorola, Nabisco, Kraft, Jergens, ConAgra and Glidden Paint. After receiving her MBA from Indiana University, Jeane worked client-side at Procter & Gamble and at Oscar Mayer. When she's not caring for her clients' brands, she and her husband provide foster care for dogs and hang out with their little brother from Big Brothers/Big Sisters. Beyond that, Jeane has also cliff-dived into Iceland's glacial waters and walked barefoot on hot coals—pretty relevant experiences for building brands.

Ann Dencker Director of Insights and Strategic Research/Partner



With spot-on intuition and collaborative style, Ann just gets target markets. Her extensive industry background includes guiding brands such as Oscar Mayer, Kraft, Lunchables, Boca, Claussen, Wisconsin Bell, Rayovac and Remington. Ann has served for over nine years on the External Advisory Board for A.C. Nielsen Center within the School of Business at the University of Wisconsin–Madison. This board works to enhance overall market research knowledge and shape the curriculum for future market research professionals. She is also on the Client Advisory Board for Iconoculture, a leading provider of cultural trend information. Ann's industry experience includes teaching a strategic research class at the UW-Madison School of Journalism and launching her own consulting business where she worked on brands in the food, spirits and lawn and garden categories. At Hiebing, along with digging for target insight, Ann advances our research methods to ensure we use the most powerful tools to uncover the most powerful insights. When Ann isn't busy being the voice of the consumer, she can be found relaxing on Lake Wisconsin or minding her perennial garden.

Mike Pratzel Associate Director of Research/Partner



Mike has been directing strategic research and target market insight efforts at Hiebing since 1981. Mike has a BBA in marketing and quantitative analysis and a master's in marketing research from the University of Wisconsin–Madison. He has developed quantitative approaches for evaluating new product development, customer satisfaction, naming, positioning, communications and segmentation analysis. He's also developed qualitative approaches to consumer insights and brand development for clients such as Famous Footwear, Nestlé, Culligan, AAA, Trane, Mercury Marine, AnchorBank, UW Colleges, UW-Madison, Coca-Cola, Kraft, Dean Health System and Wisconsin Coalition Against Sexual Assault. Mike's work has been critical in helping our clients achieve measurable, if not spectacular, results. But his favorite research involves taste-testing the sticky buns that he and his wife prepare for their café and bakery customers.



Drop us a line.

For more tips on how to harness the power of consumer insight to grow your brand, give us a call at 608.256.6357 or visit us at hiebing.com.

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