Next generation market research

STRATEGIC SEGMENTATION
Methodology description
# Applications and Focus

## Applications of Strategic Segmentations

- Acquisition, retention, and current customer development
- Identification of product potential
- Designing “killer” product propositions
- Development of communication strategy
- Designing activities focused on managing customer experience, promoting segment-specific customer care models and channels
- Developing a segment-specific sales strategy
- Generating general segment-specific insight and understanding
- Managing brand experience in segments’ understanding brand value in connection to brand positioning and image

## Focus Areas

<table>
<thead>
<tr>
<th>Focus Areas</th>
<th>Why It Is Important</th>
<th>How It Is Used</th>
</tr>
</thead>
</table>
| Needs/motivations           | Human behavior is driven by one’s needs                                            | - Managing brand experience  
- Developing sales strategy  
- Deeper market understanding |
| Lifestyle & values          | Expression of needs is determined by one’s lifestyle, which could be matched to dominant life values and qualities - e.g. friendliness, responsibility or ambition | - Communication strategy  
- Targeting for promo activities  
- Designing loyalty programs  
- Insights for new product development |
| Products & brands Usage habits Customer value | Actionable segmentations need to reflect current and future usage and perceptions of the category observed in combination with customer value | - Identification of product potential  
- Identification of key target groups  
- Linkage to the existing products and offers  
- Linkage to the behavioral segmentation |

## Implications:

- The segmentation is primarily based on needs, usage patterns (U&A) to all relevant products within the product category analyzed - and potentially on lifestyle and values.
- Financial aspects, customer value, demographical characteristics, and other variables identified as relevant are also used as input factors for definition of the segments.
**APPROACH & PROCEDURE**

**APPROACH TO SEGMENTATION TASKS**

**Simple to understand**
Clear and easily understandable segments and comprehensible segmentation landscape

**Meaningful**
Reflecting customers’ needs in general, with specific focus on the market under analysis

**Actionable**
Make informed marketing decisions based on deep data from well-profiled segments

**Compatible**
Use your segmentations with other internal marketing tools and data sources

**SEGMENTATION PROCEDURE**

**Combination of sociological and mathematical approach**

**Develop an understanding of underlying patterns in data**

**Identification of main segmentation dimensions**

**Advanced cluster analysis**

**Definition of data fusion algorithms and “golden questions” for future usage (database analyses)**

**Profiling, description and interpretation of the individual segments**

**Test segmentation strength and quality, and choose the most suitable segmentation solution**
Multiple analytical techniques are used in the course of data analysis. We primarily use AutoClass clustering, the most-advanced clustering technique (so far).

**Selection of the most appropriate segmentation variables**
- Exploratory
- Understand relationships and underlying patterns in data
- Form categories
- Full descriptions based on usage and attitudes information

**AutoClass cluster analysis**
- Similar response patterns grouped
- Multiple solutions generated

**Evaluation and selection of cluster solutions**
- Statistical examination
- Discriminant analysis
- Full set of tabulations run on each solution set to examine differentiation

**Preparation of data fusion tool and “Golden Questions”**
- Here, we use proprietary algorithms to automatically assign people into segments

**Data fusion**
- Technique linking the segmentation to other data files and/or databases
- It assigns each record in the recipient database into a segment based on a certain probability
- Can be used either to simply flag the most likely segment for each record, or to score each record based on the predicted probabilities
OUTPUTS

The segmentation output is live, and all outside users and teams can access it - marketing, communications, customer experience, brand, market research, creative agencies, etc. It is simple, clear, and comprehensible, but also richly detailed, providing an in-depth understanding of individual segments.

<table>
<thead>
<tr>
<th>Segment overview</th>
<th>Segmentation landscape</th>
<th>Segment book</th>
<th>Segment leaflet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive summary of segmentation</td>
<td>Maps, diagrams and description of mutual relationships and key differentiators of individual segments</td>
<td>Detailed description and profile of each segment</td>
<td>Simple tool describing each segment for everyday use</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scoring of segments</th>
<th>Segment dashboards</th>
<th>Data fusion algorithm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special scoring variables like &quot;total expenditure score&quot; of each segment and respondent</td>
<td>Segment profile dashboard, segment potential dashboard, and segment accessibility dashboard</td>
<td>Enables classification of other respondents/customers in the segments for wider applicability and actionability (optional)</td>
</tr>
</tbody>
</table>
**SAMPLE: SEGMENTATION LANDSCAPE**

**Legend**

**Vertical arrows**
- high/low overall attractiveness for the Client

**Pictograms**
- high/low aggregate income

**Strong boarders**
- high motivation to measured products
- low motivation to measured products

**Fill pattern**
- volume of...in P12/N12M:
  - high volume
  - low volume

**Age**
- young
- younger
- avg.
- older
- old

**Segment size**
- 20%
- 15%
- 10%
- 5%
- 2%

**Dummy data**

**Segments**
- 1 - ...
- 2 - ...
- 3 - ...
- 4 - Successful start of life
- 5 - ...
- 6 - ...
- 7 - ...
- 8 - ...
- 9 - ...
- 10 - Prosperous family with new housing
### Attractiveness for the Client

<table>
<thead>
<tr>
<th>1 - Name of segment 1</th>
<th>2 - Name of segment 2</th>
<th>3 - Name of segment 3</th>
<th>4 - Name of segment 4</th>
<th>5 - Name of segment 5</th>
<th>6 - Name of segment 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>low</td>
<td>high</td>
<td>low</td>
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<td>high</td>
<td>high</td>
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</table>

### Aggregate income

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<thead>
<tr>
<th></th>
<th>1 - Name of segment 1</th>
<th>2 - Name of segment 2</th>
<th>3 - Name of segment 3</th>
<th>4 - Name of segment 4</th>
<th>5 - Name of segment 5</th>
<th>6 - Name of segment 6</th>
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<tbody>
<tr>
<td>low</td>
<td>lowest</td>
<td>high</td>
<td>low</td>
<td>high</td>
<td>hiestgh</td>
<td>hiestgh</td>
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</table>

### Gender

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<thead>
<tr>
<th></th>
<th>1 - Name of segment 1</th>
<th>2 - Name of segment 2</th>
<th>3 - Name of segment 3</th>
<th>4 - Name of segment 4</th>
<th>5 - Name of segment 5</th>
<th>6 - Name of segment 6</th>
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</thead>
<tbody>
<tr>
<td>males (xx%)</td>
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<td></td>
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<td></td>
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<tr>
<td>females (zz%)</td>
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</table>

### Age

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<tr>
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<th>6 - Name of segment 6</th>
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</thead>
<tbody>
<tr>
<td>old</td>
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<td></td>
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<tr>
<td>oldest</td>
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<tr>
<td>young</td>
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<tr>
<td>youngest</td>
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</table>

### Frequency of shops visits

<table>
<thead>
<tr>
<th>1 - Name of segment 1</th>
<th>2 - Name of segment 2</th>
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### Frequency of purchases

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<td>high</td>
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### Expenditures for category (amount in CZK)

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### Prodigal vs. frugal (in shopping behaviour)

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<th>1 - Name of segment 1</th>
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</thead>
<tbody>
<tr>
<td>frugal</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>prodigal</td>
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### Interest category & trends

<table>
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<tr>
<th>1 - Name of segment 1</th>
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</table>
Positions of segments, brands and image attributes are projected into a standardized “Values Perceptual Space”

This provides a holistic understanding of brand perception, their image and values, as well as relationships between them and the segments.

Also measures developments, and the ability to shift brand perception in desired direction towards pre-defined targets.
# REFERENCES: SEGMENTATION STUDIES

<table>
<thead>
<tr>
<th>CLIENT</th>
<th>PROJECT</th>
<th>SCOPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raiffeisenbank</td>
<td>Repeated segmentation of B2C clientele of banks</td>
<td>650-1,200 respondents per project</td>
</tr>
<tr>
<td>mBank</td>
<td>Segmentation of SME clientele of banks</td>
<td>1,000 respondents</td>
</tr>
<tr>
<td>Home Credit China</td>
<td>Repeated segmentation of Chinese population in regard to financial services and loans</td>
<td>approx. 10,000 respondents in total</td>
</tr>
<tr>
<td>Home Credit and Finance Bank Russia</td>
<td>Segmentation of Russian population in regards to financial services</td>
<td>approx. 15,000 respondents in total</td>
</tr>
<tr>
<td>Molson Coors, Staropramen</td>
<td>Repeated segmentation of beer market - multiple projects focusing both on consumers and customers</td>
<td>1,200 - 4,000 respondents per project</td>
</tr>
<tr>
<td>Sanoma Magazines</td>
<td>Segmentation of magazine readers</td>
<td>1,200 respondents</td>
</tr>
<tr>
<td>Marks &amp; Spencer</td>
<td>Segmentation of retail chain customers</td>
<td>1,000 respondents</td>
</tr>
<tr>
<td>ETA</td>
<td>Segmentation of domestic appliances market</td>
<td>1,400 respondents</td>
</tr>
<tr>
<td>Green-Swan Pharmaceuticals</td>
<td>Segmentation of dietary supplements and OTC medication markets</td>
<td>1,500 respondents</td>
</tr>
<tr>
<td>Novartis</td>
<td>Segmentation of medication market</td>
<td>1,150 respondents</td>
</tr>
<tr>
<td>Vodafone</td>
<td>Segmentation of customers of mobile telco services - both B2B and B2B</td>
<td>1,250 respondents</td>
</tr>
</tbody>
</table>

**Other clients**
- Philip Morris
- O2
- Czech Tourism (multi-country projects)
- Tourist Centrum currency exchange network
- ...and others

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**O2**

Czech Tourism

Tourist Centrum currency exchange network

...and others
OUR CLIENTS

- Marks & Spencer
- Google
- Raiffeisen Bank
- Home Credit
- McCANN
- YIT
- Mastercard