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# Marketing Segmentation

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1. Segmentation
2. Targeting
3. Buyer's Persona and Buyer's Journey

In this section, there is the introduction to:

- A. The objectives of segmentation
- B. The approaches and the process of segmentation
- C. The methods of segmentation

## A. Objectives of segmentation

- - Segments and their characteristics
  - Advantages and disadvantages of segmenting

# Why segmenting a market?

Marketers **segment** markets to make them more **manageable** as:

- **Markets are too broad** different money, geography, preferences,
  - What is the food that you eat most often?
  - What is your favorite activity for leisure?
  - What is the product that you are most willing to spend more money for?
- **Too much diversity in the market**
  - desires/preferences
  - available resources
  - geographic locations
  - attitudes and buying habits

# Why segmenting?

Segmentation is a trade-off between two extremes:

“All customers are similar”

**ONE PRODUCT  
FOR EVERYONE, ONE PLAN FOR  
ALL CUSTOMERS**



**“UNDIFFERENTIATED  
MARKETING” APPROACH (OR  
MASS MARKETING)**



“Each customer is a market”

**UNIQUE PRODUCTS, ONE PLAN  
FOR EACH CUSTOMER**



“Customers are diverse, but I can detect homogeneous groups with similar needs, ways of using the product and expectations”

**AD HOC PRODUCT AND APPROACH  
FOR “SEGMENTS” OF CUSTOMERS  
(GROUPS OF “HOMOGENOUS”  
CUSTOMERS)**

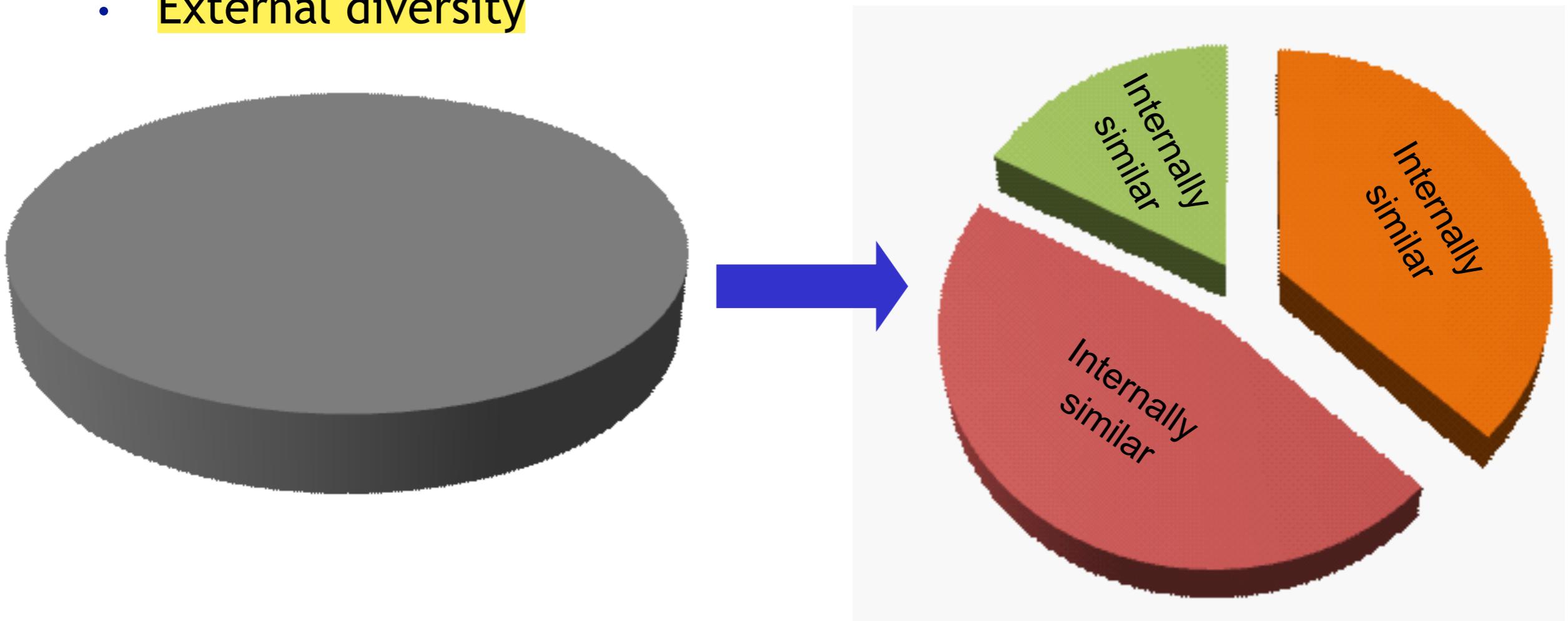
**“Segment marketing” approach**



## Segmentation

*Marketing process through which the company divides the market into various sub-groups - with different demand profiles but internally **homogenous** - on the basis of which **management develops specific marketing plans** to best satisfy their requirements.*

- Two main characteristics:
  - Internal similarity
  - External diversity



Segmentation's aim is to give insights to markets in order to define the best possible marketing program for every specific group of customers.

- **Measurability:** it must be possible to measure the size and buying power of the segments
- **Accessibility:** real possibility of obtaining the segment using marketing actions
- **Homogeneity:** within the segment as regards one or more characteristics (describers); heterogeneity compared with other segments
- **Importance:** a segment large enough to justify a targeted marketing action
- **Duration:** possibility of exploiting the segment for a particular period of time

## Advantages of segmentation

- Reduction in diversity
- More focus of resources & professionals
- Possible creation of entry barriers
- Improvement in customer satisfaction
- Market share defense during maturity
- Higher control on marketing actions
- Risk hedging

## Disadvantages of segmentation

- Different products for different segments (R&D, engineering)
- Increased production costs
- Increased stocks
- Fragmentation of advertising/promotion costs
- Increased market research costs
- Higher distribution costs
- Inefficient resource exploitation (e.g. duplication)

That's why companies try to:

Standardize  
Modularize

*More external variety (breadth of range) v less internal variety*

- **The segmentation process**
  - Segmentation types and variables:
    - by product
    - by customer (B2B v B2C)

## Choice of the segmentation approach

- By product?
- By customer?

## Choice of the segmentation method

- Mathematical?
- Heuristics?

## Analyzing the segments obtained

- Segment validation
- Segment description
- Product/market matrix

- By **PRODUCT** characteristics



- By **CUSTOMER** characteristics



## ADVANTAGES

- Simplicity
- Immediacy
- Clarity and comprehensibility

## CONSTRAINTS

- Does not consider the variables related to the **customer's characteristics**
- Little visibility of the competition amongst products
- Simplistic

*Segmentation by product was meaningful in the past, when the main problem of companies was product or production or in market with a low level of competition. As the goal of segmentation is to give insights for marketing campaigns, in mature and competitive markets, companies adopt the **customer segmentation**.*

*The following example clarifies the differences between approaches.*

Remembering that one of the first duties for marketers is knowing customers, getting insights about their needs and desires, and purchasing behavior, in order to reach them with valuable offers (valuable for clients).

Considering this, there are 3 main dimensions to consider:

- segmentation by customer **CHARACTERISTIC**
- segmentation by customer **BEHAVIOUR**
- segmentation by customer **NEED**

These approaches are slightly different in the case we are dealing with:

- **Consumer customer**
- **Industrial customer**

# Segmentation by customer - B2C markets

Approach	Type of Characteristics	Example of Variables
Customer Characteristics	Socio-demographic	<i>Age, gender, family size, family role, income, occupation, social class, religion, etc.</i>
	Geographic	Continent, country, region, type of residence and/or work area (city, suburb, or rural), population concentration, etc.
	Psychographic	<i>Personality, lifestyle (VALS™ Test)</i>
Customer Behavior	Product usage	User/non-user, brand-user/non-brand-user, intensity of usage, type of usage, time of usage, etc.
	Buying process	<i>Frequency of purchase, point of sales used, duration of purchase process, participants in the purchase process, loyalty to brand or distributor, etc.</i>
Customer Needs	Benefits sought	Price, quality, safety, variety, functionality, convenience, entertainment, indulgence, status, etc.

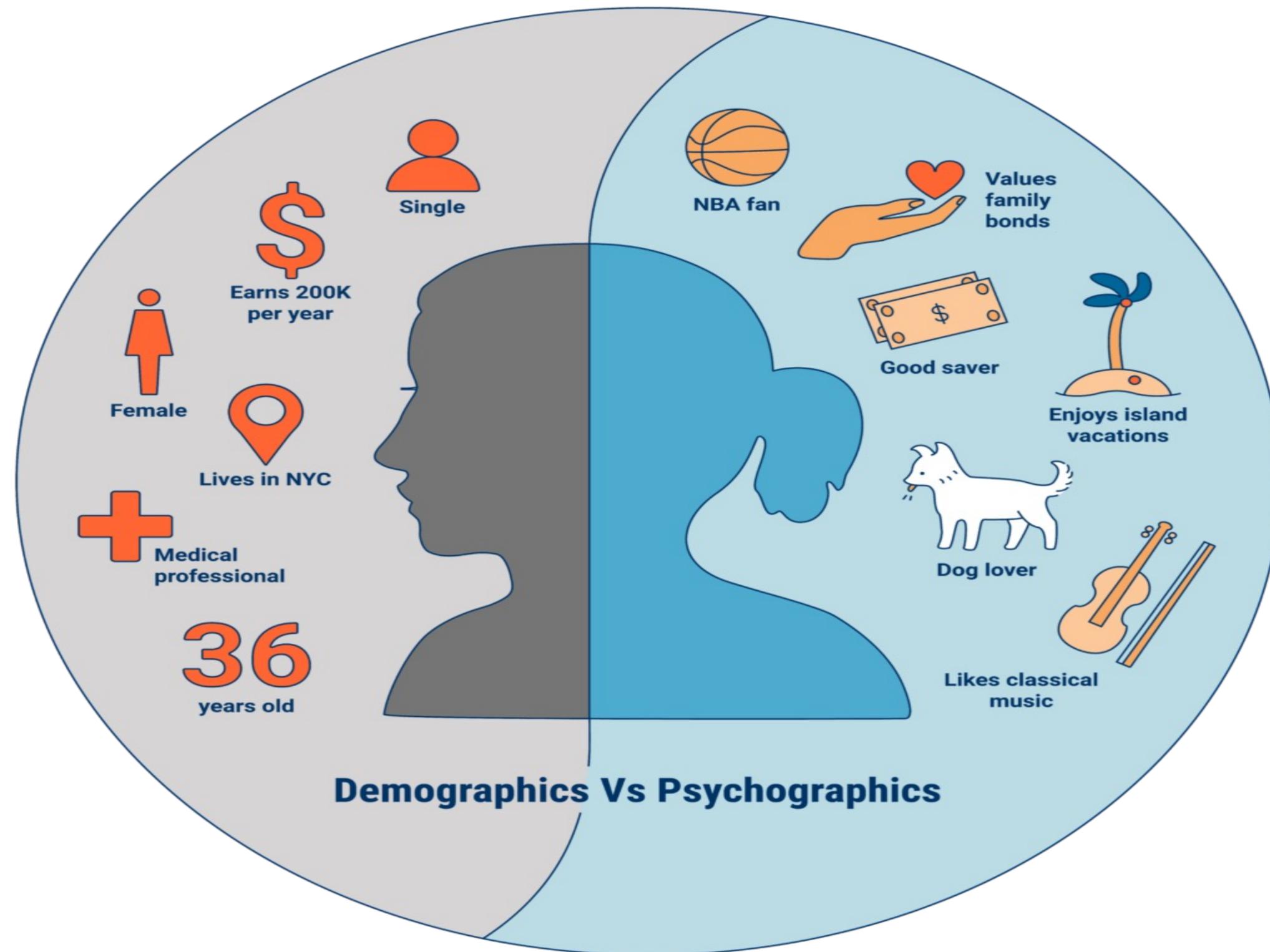
## Customer Characteristics

*Knowing customer characteristics, behaviors, and needs is fundamental to design the marketing plan. Marketers collect information and then use them with specific objectives.*

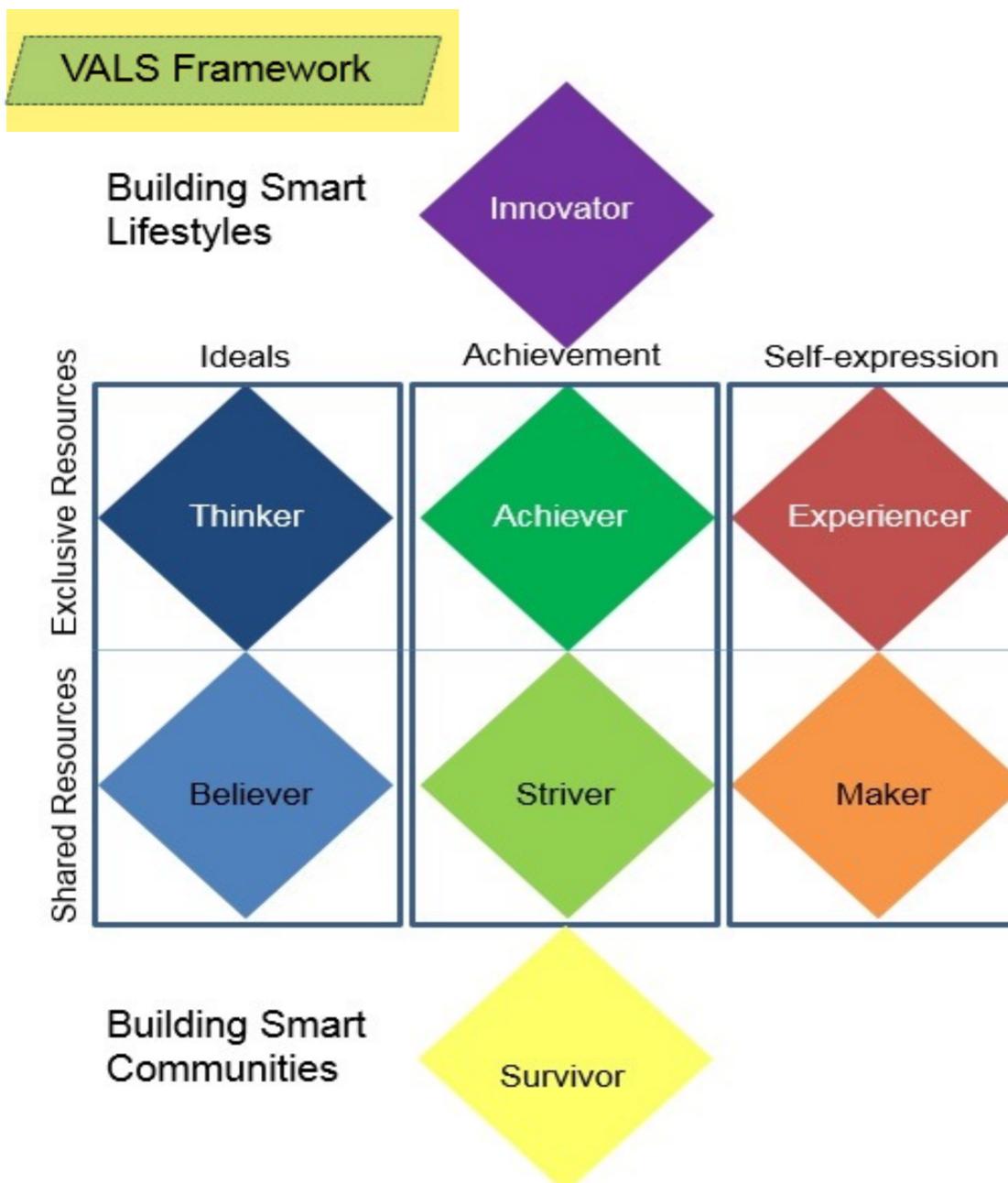
### How to use customer characteristics

- Estimate the size of a segment
- Assist in product design and pricing decisions
- Provide implication for the content and channel of marketing communication
- Aware of ethically, politically, or religiously sensitive issues
- ...

# Segmentation by customer - B2C markets



# Segmentation by customer - B2C markets



Smart Homes mean different to different people based on their Values. Attitudes and Lifestyles (VALS)

Primary Motivation	Description
Innovators	Value independence, taste and character
Thinkers	Value knowledge and creativity
Achievers	Value achievements and functionality
Experiencers	Value moods, emotions and inner expressions in life
Believers	Value communities, social bonds and sharing
Strivers	Value motivation, inspiration and abilities
Makers	Value family bonds and personal values
Survivors	Value simplicity and 'fit-for-purpose'

# Segmentation by customer - B2C markets

Chart 1: An overview of the working generations

Characteristics	Maturists (pre-1945)	Baby Boomers (1945-1960)	Generation X (1961-1980)	Generation Y (1981-1995)	Generation Z (Born after 1995)
Formative experiences	Second World War Rationing Fixed-gender roles Rock 'n' Roll Nuclear families Defined gender roles — particularly for women	Cold War Post-War boom "Swinging Sixties" Apollo Moon landings Youth culture Woodstock Family-orientated Rise of the teenager	End of Cold War Fall of Berlin Wall Reagan / Gorbachev Thatcherism Live Aid Introduction of first PC Early mobile technology Latch-key kids; rising levels of divorce	9/11 terrorist attacks PlayStation Social media Invasion of Iraq Reality TV Google Earth Glastonbury	Economic downturn Global warming Global focus Mobile devices Energy crisis Arab Spring Produce own media Cloud computing Wiki-leaks
Percentage in U.K. workforce*	3%	33%	35%	29%	Currently employed in either part-time jobs or new apprenticeships
Aspiration	Home ownership	Job security	Work-life balance	Freedom and flexibility	Security and stability
Attitude toward technology	Largely disengaged	Early information technology (IT) adaptors	Digital Immigrants	Digital Natives	"Technoholics" – entirely dependent on IT; limited grasp of alternatives
Attitude toward career	Jobs are for life	Organisational — careers are defined by employers	Early "portfolio" careers — loyal to profession, not necessarily to employer	Digital entrepreneurs — work "with" organisations not "for"	Career multitaskers — will move seamlessly between organisations and "pop-up" businesses
Signature product	 Automobile	 Television	 Personal Computer	 Tablet/Smart Phone	Google glass, graphene, nano-computing, 3-D printing, driverless cars
Communication media	 Formal letter	 Telephone	 E-mail and text message	 Text or social media	 Hand-held (or integrated into clothing) communication devices
Communication preference	 Face-to-face	 Face-to-face ideally, but telephone or e-mail if required	 SMS Text messaging or e-mail	 Online and mobile (text messaging)	 Facetime
Preference when making financial decisions	 Face-to-face meetings	 Face-to-face ideally, but increasingly will go online	 Online — would prefer face-to-face if time permitting	 Face-to-face	 Solutions will be digitally crowd-sourced

\*Percentages are approximate at the time of publication.

*Knowing customer characteristics, behaviors, and needs is fundamental to design the marketing plan. Marketers collect information and then use them with specific objectives.*

### How to use customer behaviors

- Sustain and even expand the usage of current users;
- Convince non-users with the product/brand benefits over the competing product/brand
- High usage intensity indicate customers loyal to the brand, who purchase in multiple occasions and multiple POS
- If customers are loyal to POS instead, being present in the right channel has higher priority
- Purchase process: regular or impulsive, etc.
- Roles in purchase process
- ...

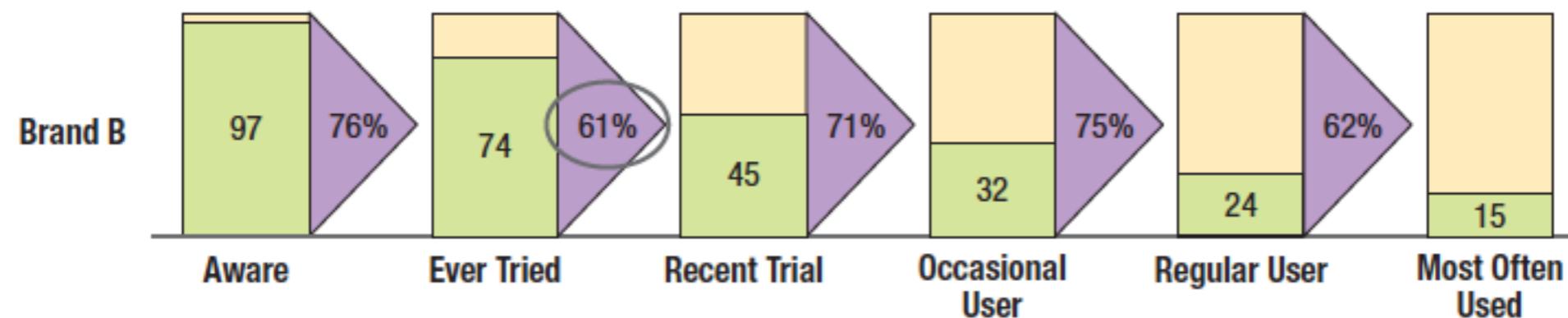
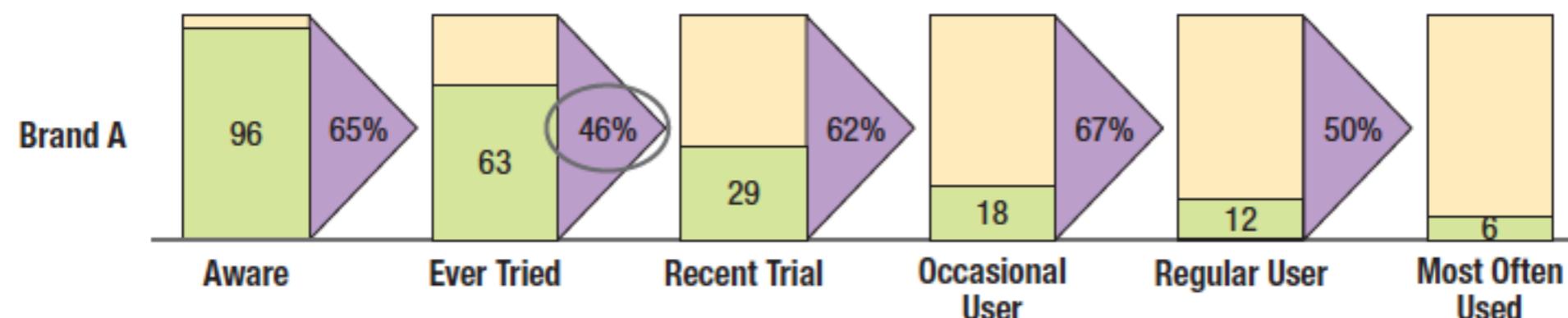
# Segmentation by customer - B2C markets

## Customer Behavior and Marketing Funnel

Customer Behavior: Usage of product / service

Marketers have to move customers along the Marketing Funnel

Follow clients along the marketing channels and check the abandonment rate at any stage, in order to redesign the process.



## Customer Needs

*Knowing customer characteristics, behaviors, and needs is fundamental to design the marketing plan. Marketers collect information and then use them with specific objectives.*

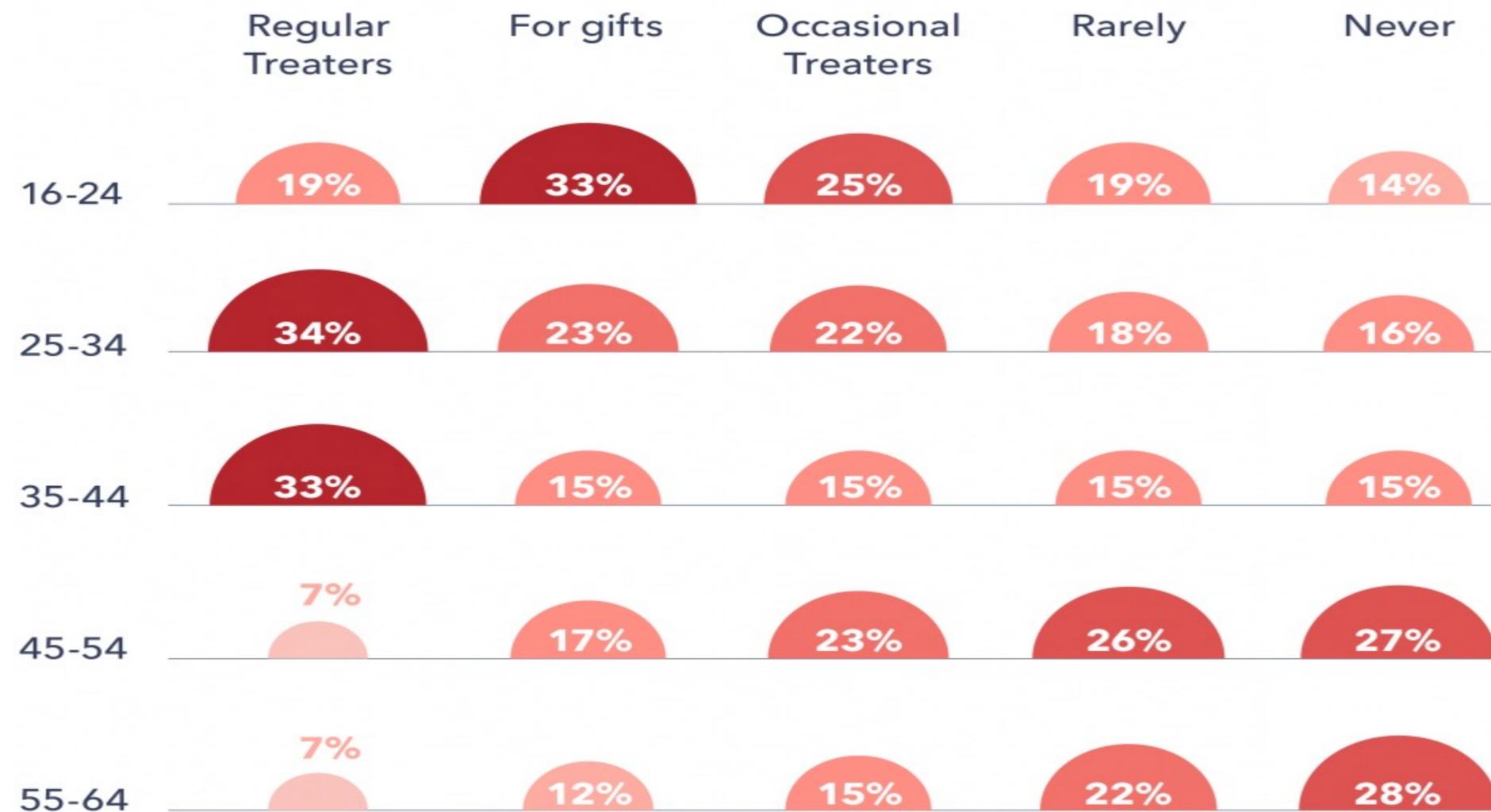
### How to use customer need (benefit sought)

- Design the product addressing the needs
- Design the marketing communication addressing the motivation which customers are more likely to respond to

# Segmentation by customer -Example

## Age Breakdown of Luxury Buyer

% who say they mainly purchase luxury items/services

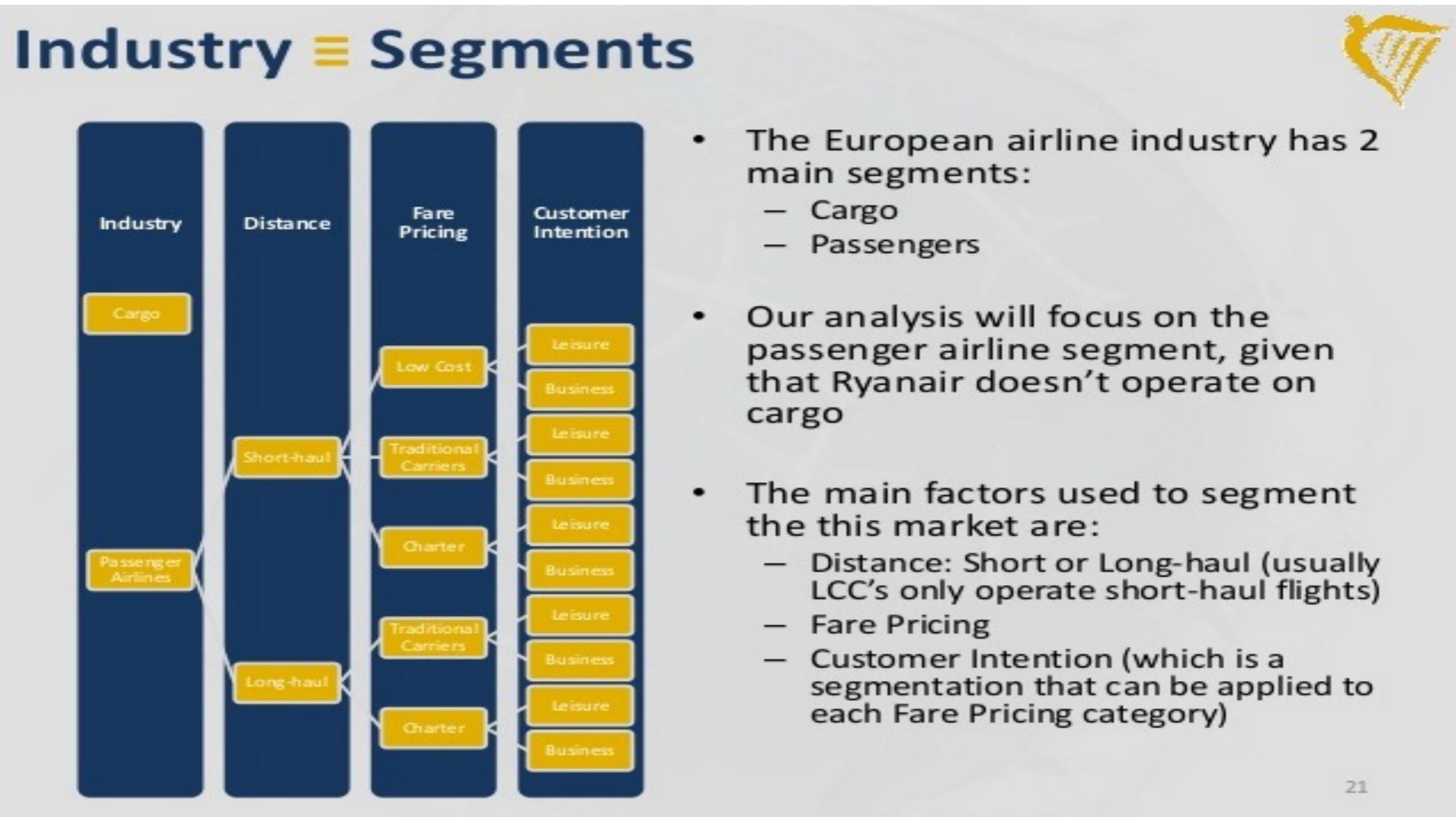


Question: Do you ever purchase high-end or luxury products / services? Source: GlobalWebIndex March 2019 Base: 928 (U.S.) & 1,049 (UK) luxury buyers and 353 (U.S.) & 426 (UK) non-luxury buyers aged 16-64



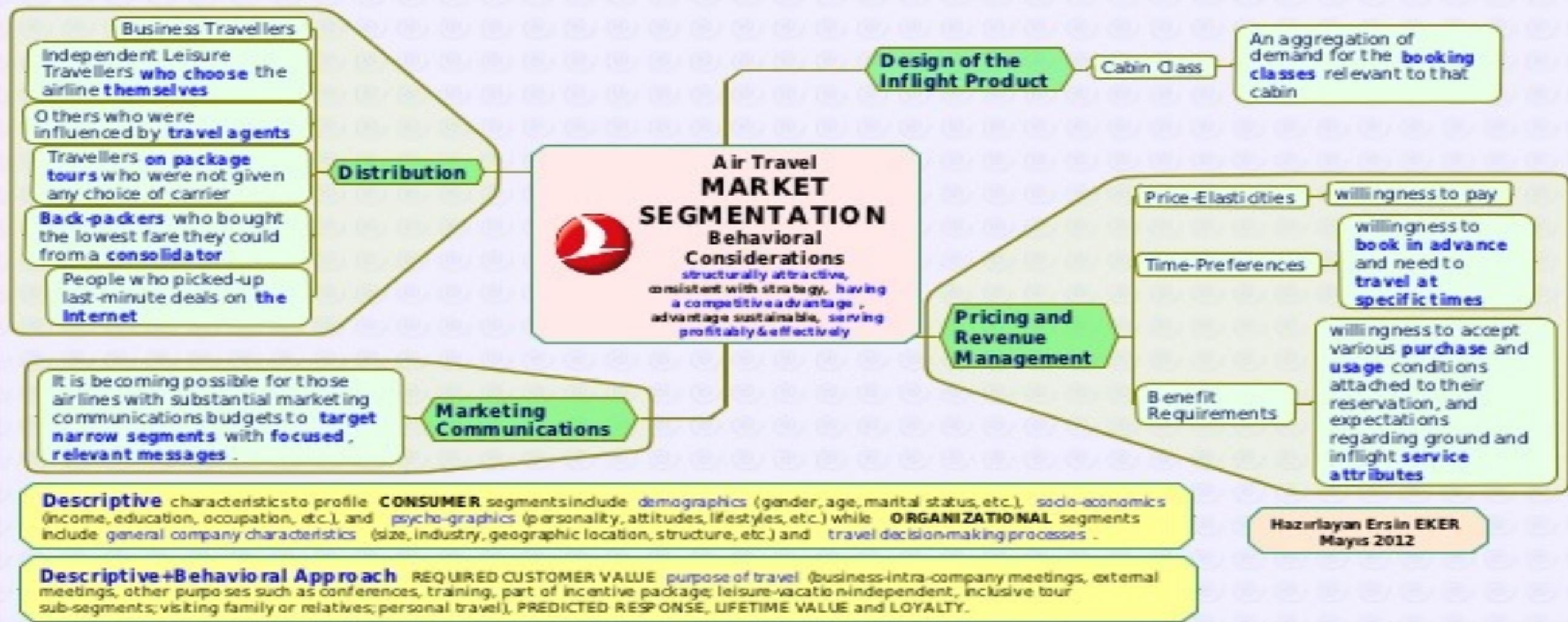
## Market Segments: Airlines

ryan air => 70% in italy



# Esemples

## Market Segments: Airlines



# Segmentation by customer - B2B markets

Approach	Type of Characteristics	Example of Variables
<b>Customer Characteristics</b>	<b>Socio-demographic</b>	<b>Company size, sector, type of activity, type of management, etc.</b>
	<b>Geographic</b>	Continent, country, region, location (industrial/non-industrial area), etc.
<b>Customer Behavior</b>	<b>Product usage</b>	<b>User/non-user, consumption volume, product application type, etc.</b>
	<b>Buying process</b>	Purchase lot size, complexity of buying process, roles in buying process, distributor to purchase from, loyalty to distributors, etc.
<b>Customer Needs</b>	<b>Benefits sought</b>	<b>Punctuality of delivery, speed of delivery, supply continuity, technical support, certification, price, level of customization, etc.</b>

- An insightful and actionable approach to segmentation does not necessarily mean to choose one best from the different approaches, but rather combining them in sensible way.
- We need to understand from our segmentation, who are in the segment (demographic/geographic characteristics), what are they doing (behavior), and why are they doing that (needs)
- Different dimensions provide rich understanding of a segment. Their relevance, however, may vary according to the decision in need to be supported

- - Methods of segmentation

- **Mathematical**
  - Using statistical-mathematical techniques and algorithms.
  - Require data (a representative sample) on which to make an analysis.
- **Heuristic**
  - Empirical (generally **qualitative**) methods based on the experience of the marketer

## Survey research

- Information gathering about possible segmentation variables
  - Focus groups or other qualitative research
  - Questionnaires
  - Etc.

## Data analysis

- Elimination of correlated variables
- Definition of clusters

## Segment profiling

- Description of the segments obtained
- Listing of the key characteristics

## Heuristic methods to segment a market

- Successive elimination approach (Porter, 1987)
- Two-phase approach (Wind and Cardozo, 1974)
- Multi-phase approach, “Nested approach” (Bonomo and Shapiro, 1982)

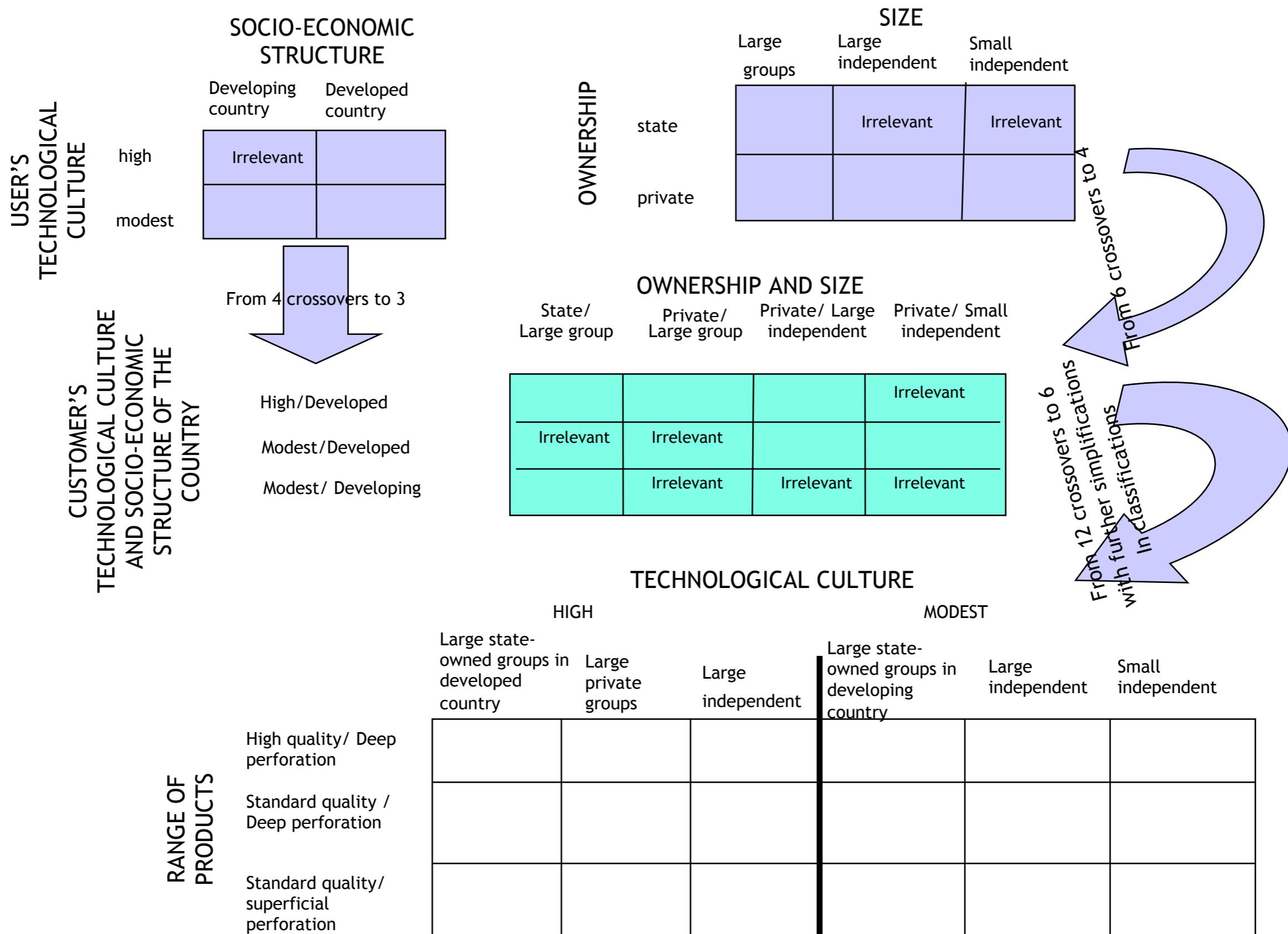
*Insight: Mathematical methods are strongly based on data collection and analysis through focus groups, survey research, market tests. Digitalization of business have strongly improved (and reduced the cost) of these activities.*

## #1 Successive elimination approach description

### STEPS TO FOLLOW IN THE ELIMINATION APPROACH

1. Check-list of possible segmentation variables.
2. Variables identified as relevant are compared in pairs using a matrix.
3. Unimportant “crossovers” and contradictions are eliminated.
4. Variables are gradually combined to reduce the number of combinations.
5. Products are entered according also to the different use functions.
6. The final product-market (segments) matrix is built

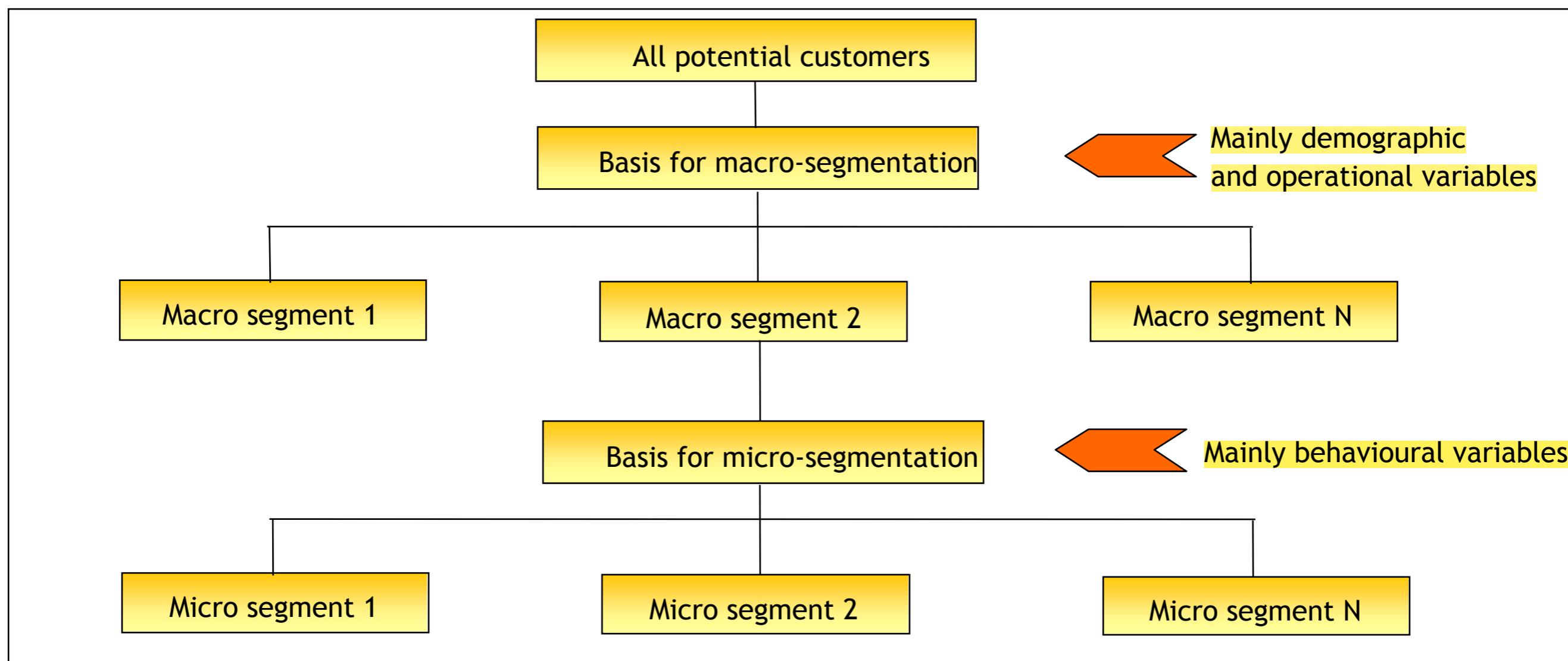
# Successive elimination approach



# Heuristic segmentation methods

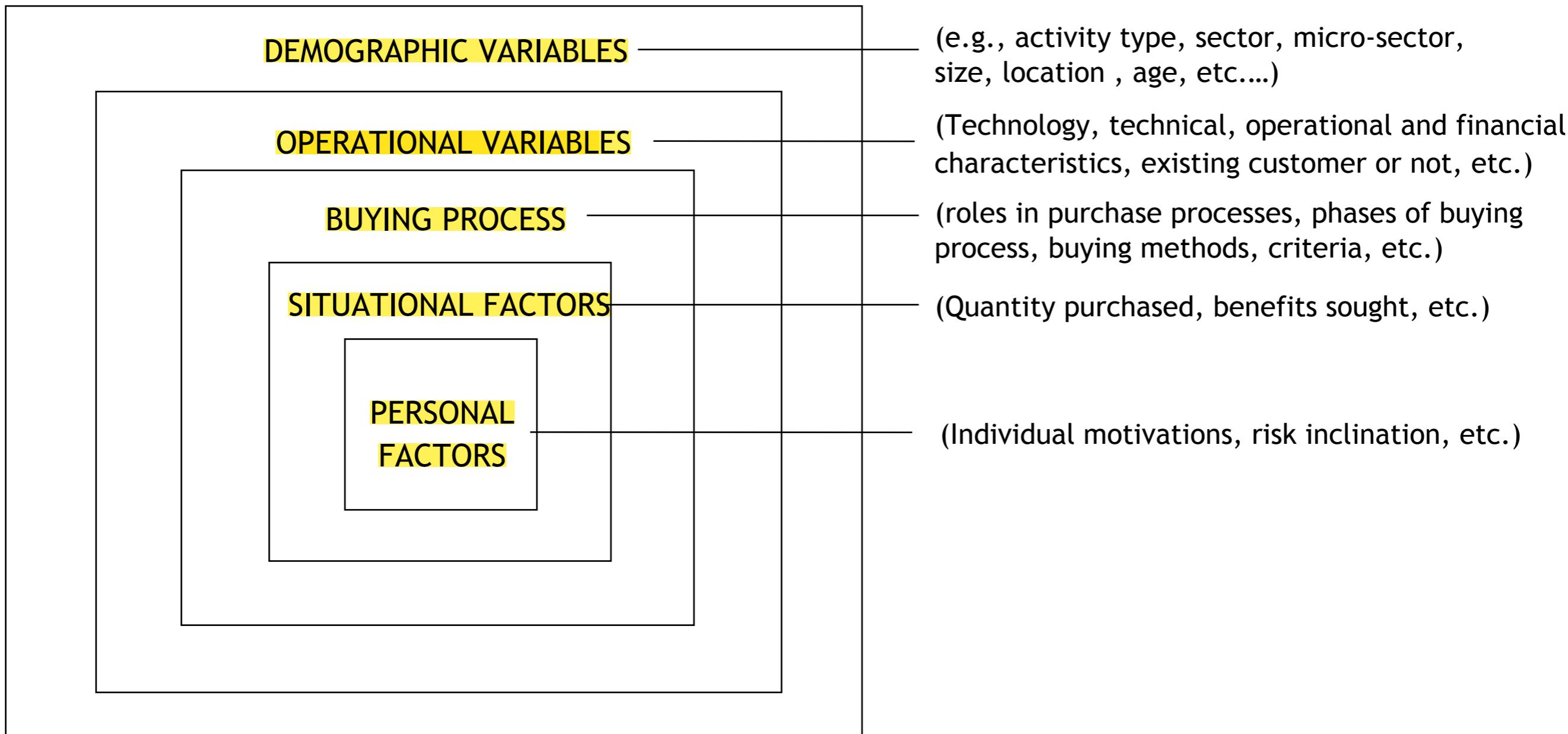
## #2 Two phase approach description

- ❖ Hierarchical selection of segmentation bases:
  1. **Macro segmentation** based on the **external characteristics and purchase situations**
  2. **Micro segmentation** based on the **characteristics of the individuals**



## #3 Multi-phase (nested) approach

5 step hierarchical approach  
The more we move towards the center, the harder is to find information



# Definition and qualification of a segment

after above 3 approach, we need these information:

You should now be able to define and qualify every segment in the market

PRODUCT: \_\_\_\_\_

SEGMENT: \_\_\_\_\_

SEGMENT SIZE

CUSTOMER CHARACTERISTICS

TYPE OF USE OF PRODUCT

LEVEL OF PURCHASES/YEAR

BUYING PROCESS METHODS

ROLES IN THE BUYING PROCESS

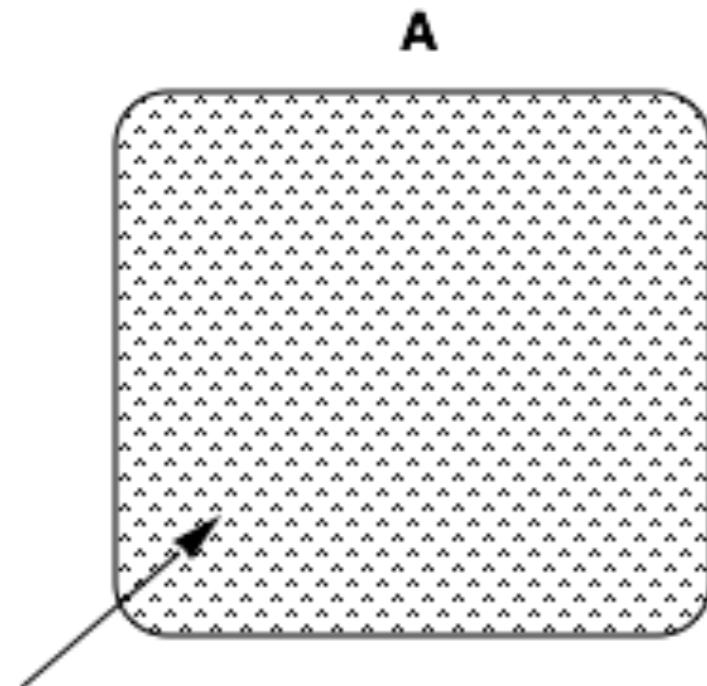
CUSTOMER'S PRINCIPAL NEEDS

CURRENT/EXPECTED TRENDS AND DEVELOPMENTS



mass marketing

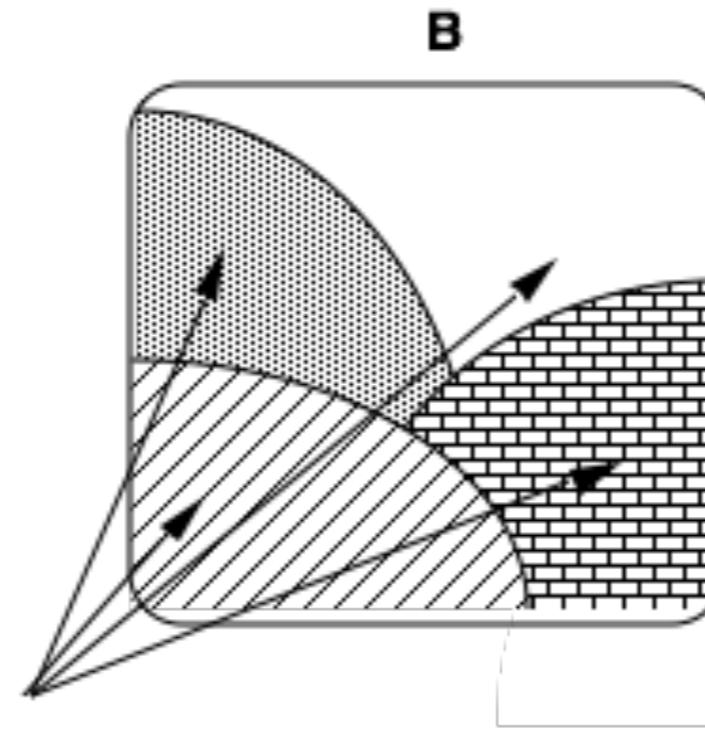
UNDIFFERENTIATED



A SINGLE MARKETING  
PLAN FOR THE WHOLE  
MARKET

segment marketing

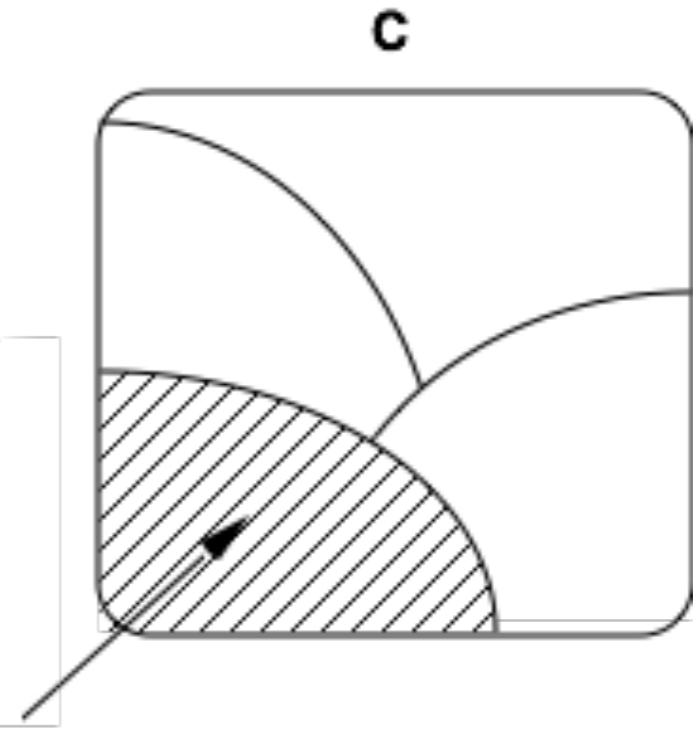
DIFFERENTIATED



VARIOUS MARKETING  
PLANS FOR THE  
DIFFERENT SEGMENTS

niche

CONCENTRATED



A SINGLE MARKETING  
PLAN CONCENTRATED  
ON ONLY ONE SEGMENT

## 2. Target

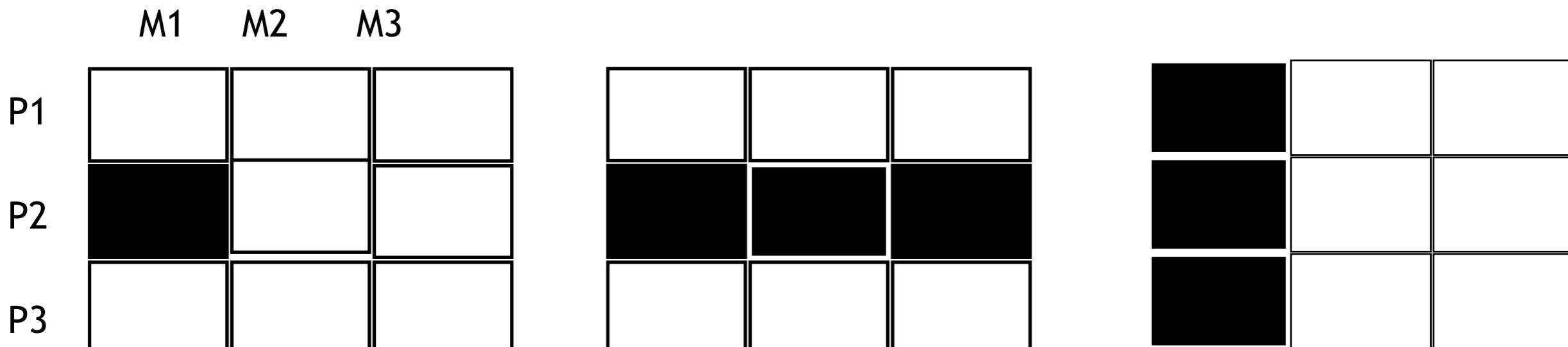
after segmenting, we choose the segmanet



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- A target market is a group of customers within a business's **serviceable available market** at which a business aims its marketing efforts and resources.
- A target market is a subset of the total market for a product or service.
- In the process of segmentation, the target is/are the segment(s) that **the company decide to “focus”**

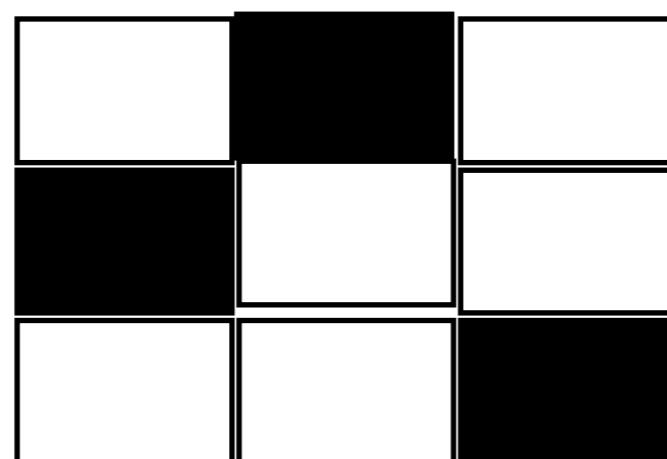
It is possible to look at targeting strategies in more detail by identifying 5 possible approaches.



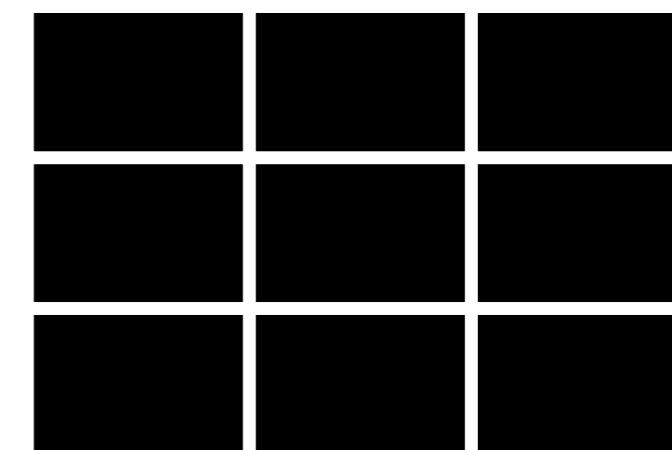
A SINGLE SEGMENT

PRODUCT SPECIALIZATION

MARKET SPECIALIZATION

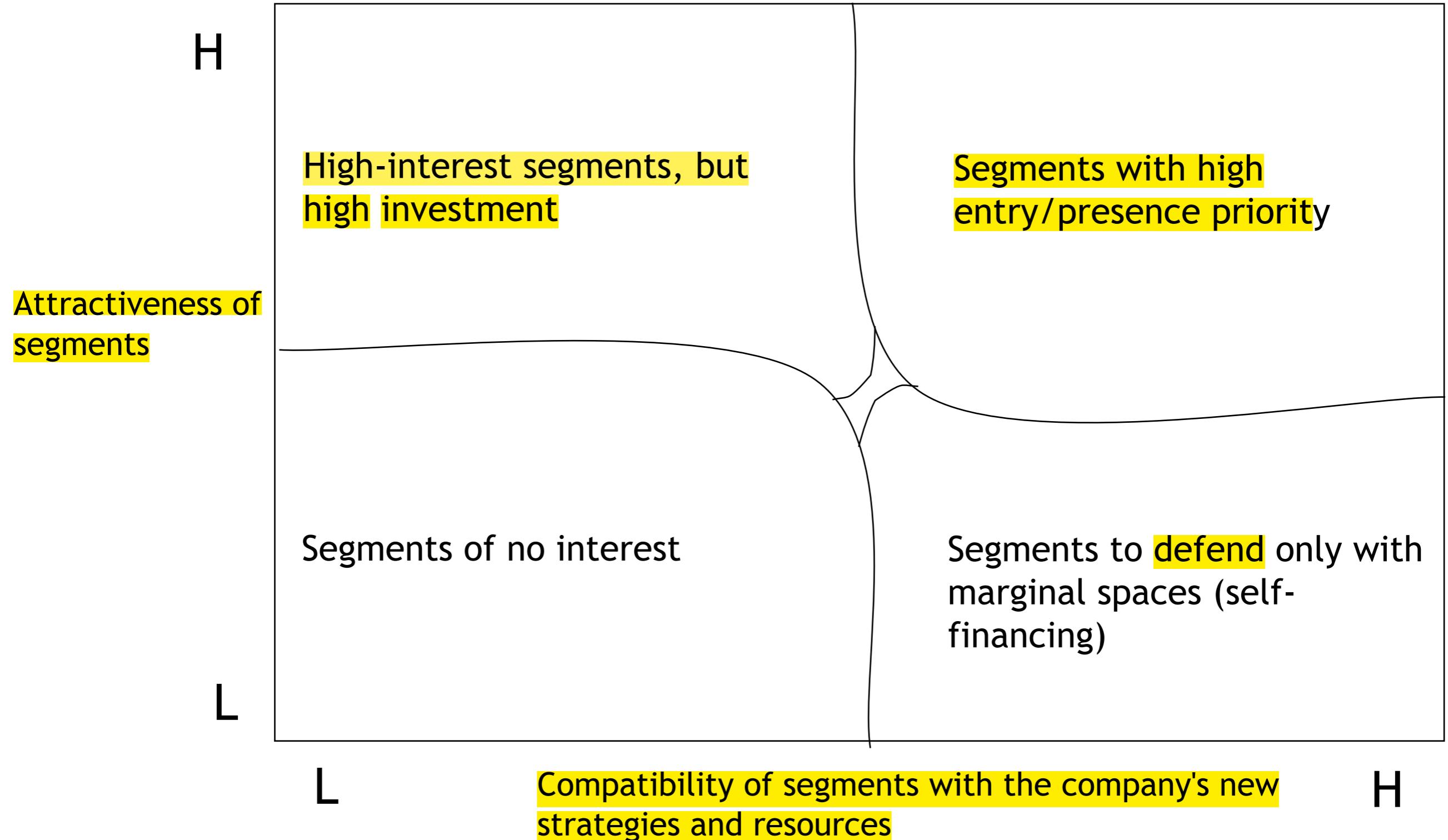


SELECTIVE SPECIALIZATION



TOTAL COVERAGE

# Targeting strategies: choice of target segments



### 3. Buyer persona definition

average people of the segment

A buyer persona is a representation of your target customer. It's a picture you paint based on research and interviews with actual customers. It goes beyond basic demographics to include the intangible elements that make a person tick. Persona development is paramount for the success of an inbound marketing program, no matter the size or scope of your business.

## Buyer's Persona Template

### Marketing Mary

COMPANY SIZE



SMALL LARGE

AVAILABILITY



OPEN NO TIME

BUYING POWER



INFLUENCER DECIDER

#### KEY IDENTIFIERS

Item 1      Item 4

Item 2      Item 5

Item 3      Item 6

#### COMPANY ADVOCATE

YES    NO

#### Background

Xerum sumquo vit velignis numenih itatem era nos ad quam quis eatendu cilitaspic tetur aut eatetusapid est as aute ni rendanto beatet qui volumenimos non postis nulla quis et quibus doluptaqui velicae cuptis asimaximet estestincte doloreium nat minvendis voloria

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#### Goals

- Xerum sumquo vit velignis numenih itatem era nos ad quam quis eatendu
- Cilitaspic tetur aut eatetusapid est
- Volumenimos non postis nulla quis et quibus doluptaqui velicae cuptis

JOB TITLE ..... V.P. of Lorem  
 INDUSTRY TENURE ..... XX Years  
 MARITAL STATUS ..... Married  
 FAMILY ..... Two Teens



- Asimaximet estestincte doloreium nat minvendis voloria

#### Challenges

- Xerum sumquo vit velignis numenih itatem era nos ad quam quis eatendu
- Cilitaspic tetur aut eatetusapid est
- Volumenimos non postis nulla quis et quibus doluptaqui velicae cuptis

#### How We Help

Value 1 Xerum sumquo vit velignis numenih itatem era nos ad quam quis eatendu

Value 2 Cilitaspic tetur aut eatetusapid est

Value 3 Volumenimos non postis nulla quis et quibus doluptaqui velicae cuptis

Value 4 Asimaximet estestincte doloreium nat minvendis voloria

# Buyer's Persona (Example in a Consumer)

## PERSONA- Professionista affermata



NOME

Alessandra

ETÀ

55

ARCHETIPO

Buyer impeccabile con poco tempo libero. Attenta al servizio che le viene offerto

OCCUPAZIONE

Manager multinazionale

TITOLO DI STUDIO

Ingegneria gestionale, Master in Credit management

GEOGRAFIA

Brianza

FAMIGLIA

Madre single

REDDITO

50.000 €

### WISHLIST

Arredo per la casa, abbigliamento, viaggi intercontinentali

### BRAND DI RIFERIMENTO

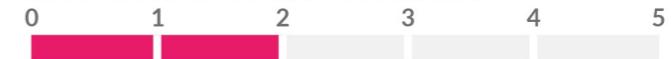
Furla, Adidas, in generale qualità e affidabilità

### CANALI DI COMUNICAZIONE



Whatsapp, SMS, email

### RELAZIONE CON LA TECNOLOGIA



Usa poco i social, si sta avvicinando al mondo Ecommerce

### PERCEZIONE DEL SERVIZIO

Sistema burocratico complesso, non è ai tempi con le esigenze dei cittadini. Tempi di attesa elevati tra una fase e l'altra del processo. Mancanza di flessibilità del sistema in casi particolari. Scarsa reperibilità di informazione online.

### DRIVER VALUTAZIONE DEL SERVIZIO

1	2	3
1	2	3
1	2	3
1	2	3

Performance (Gamma)

Convenienza (Prezzo)

Aspetto, Design

Comunicazione

1	2	3
1	2	3
1	2	3
1	2	3

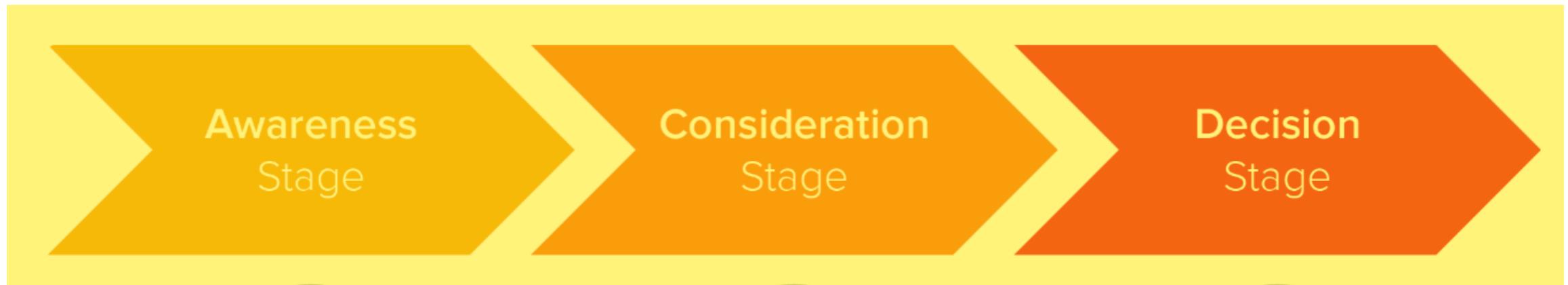
Facilità / Velocità

Affidabilità / Trasparenza

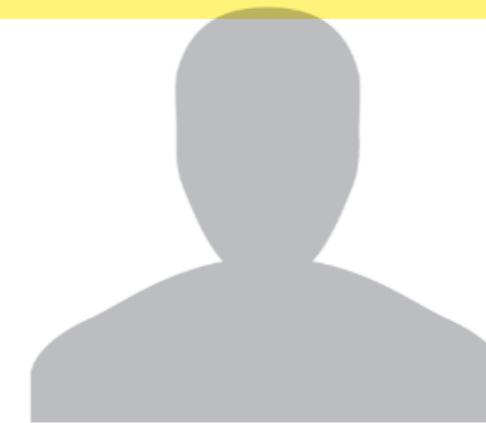
Supporto / Assistenza

Flessibilità

Generic Customer Journey (before conversion) can be divided into 3 stages: awareness, consideration, decision



Prospect is experiencing and expressing symptoms of a problem or opportunity. Is doing educational research to more clearly understand, frame, and give a name to their problem.



Prospect has now clearly defined and given a name to their problem or opportunity. Is committed to researching and understanding all of the available approaches and/or methods to solving the defined problem or opportunity.



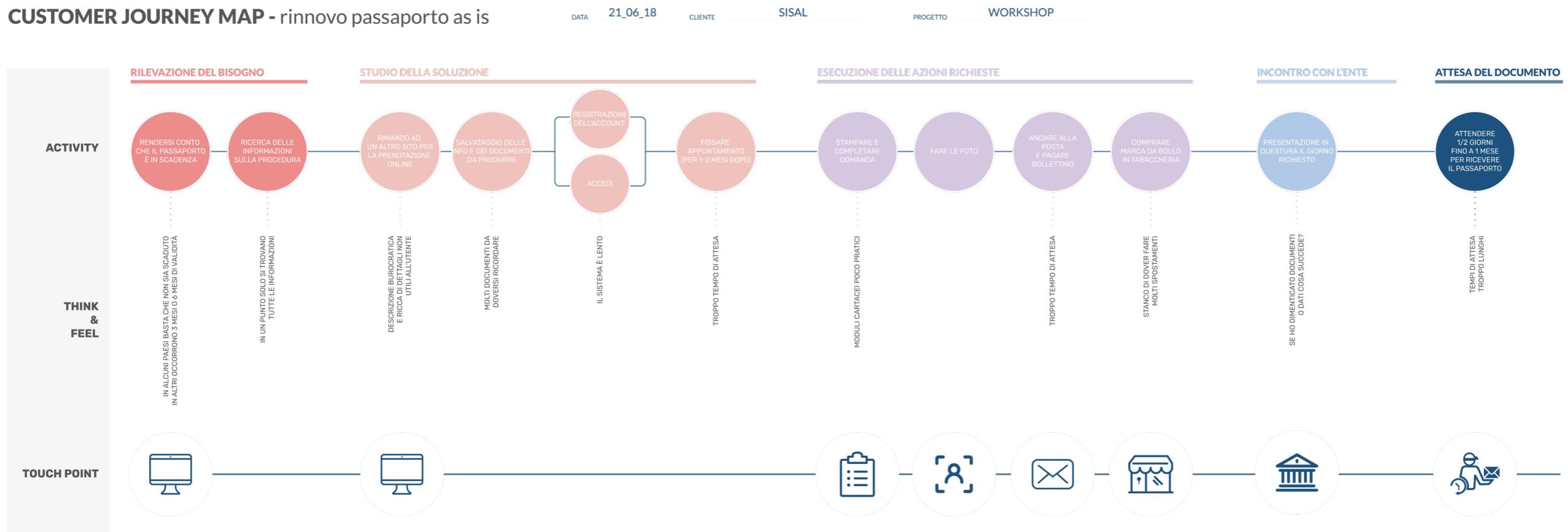
Prospect has now decided on their solution strategy, method, or approach. Is compiling a long list of all available vendors and products in their given solution strategy. Is researching to whittle the long list down to a short list and ultimately make a final purchase decision.

# Example of a Customer Journey

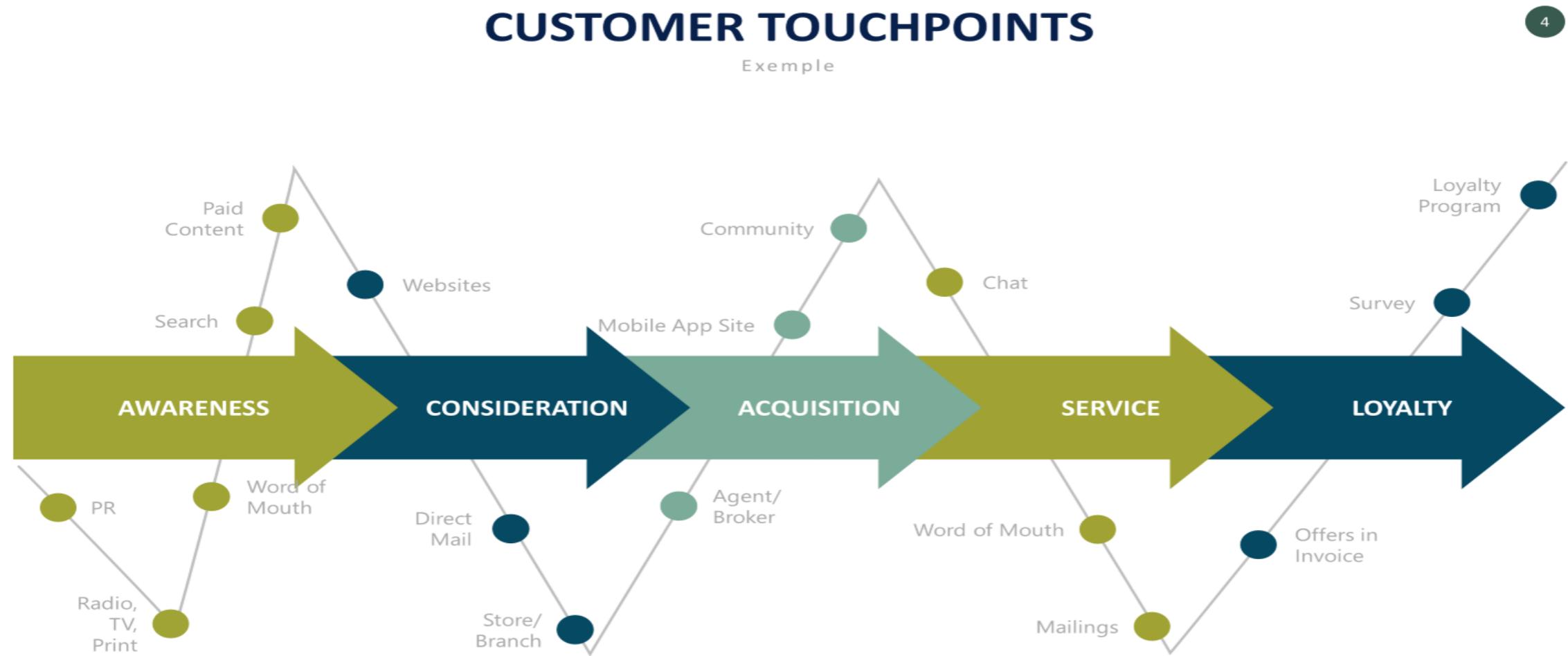
In this example, the CJ maps different levels of the experience:

- The activities that the user has to accomplish at every stage
- What does she think and how she feels at every stage
- What are the touchpoints involved in each phase

CUSTOMER JOURNEY MAP - rinnovo passaporto as is



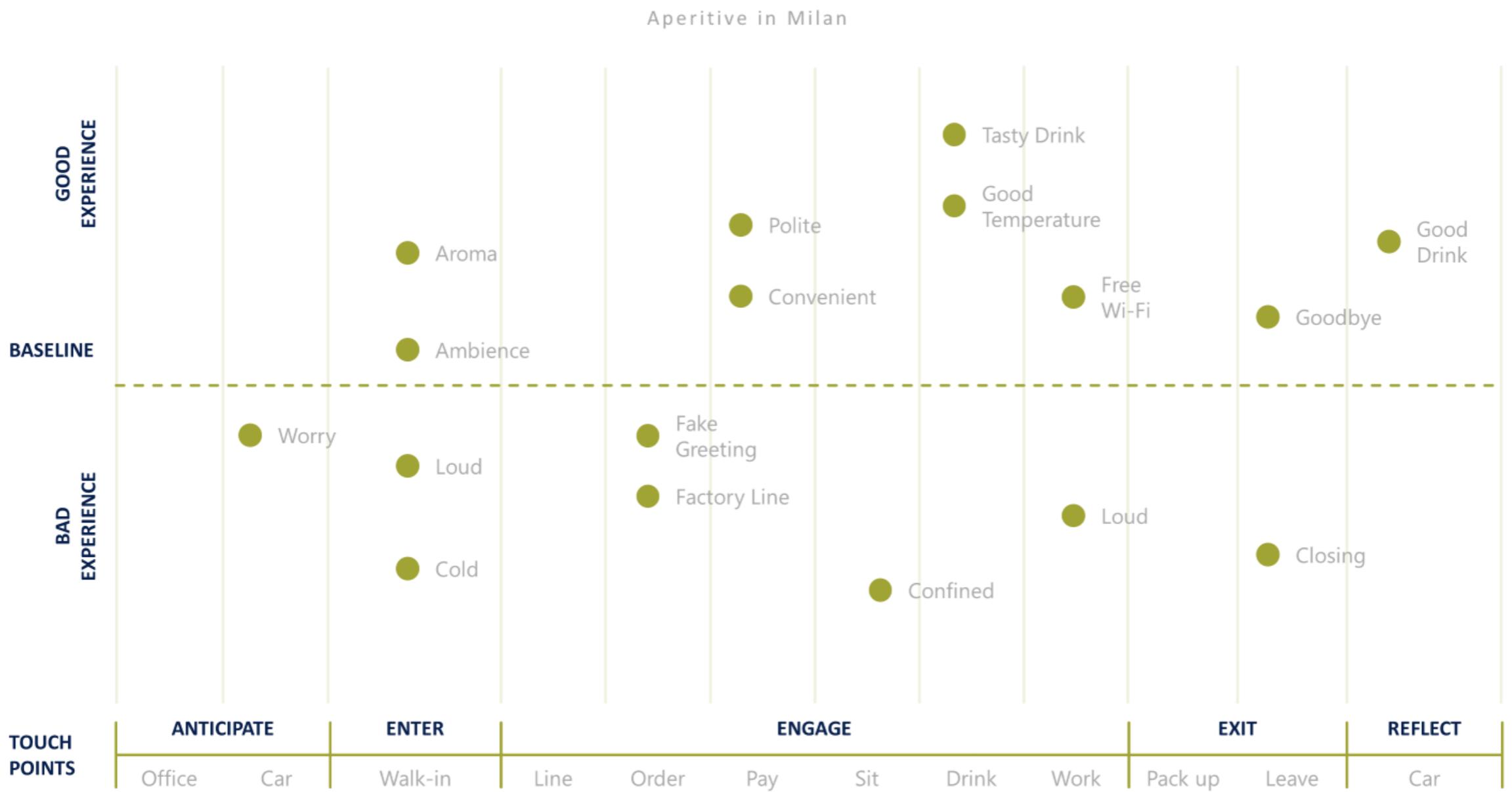
Sequence of interactions between an individual and a brand occurring throughout a series of touchpoints, encountered along the Customer Journey. These interactions generate cognitive, emotional, behavioral, and sensorial impacts and reactions.



# Example of a Customer Journey

2

## CUSTOMER JOURNEY MAP (Exemple)



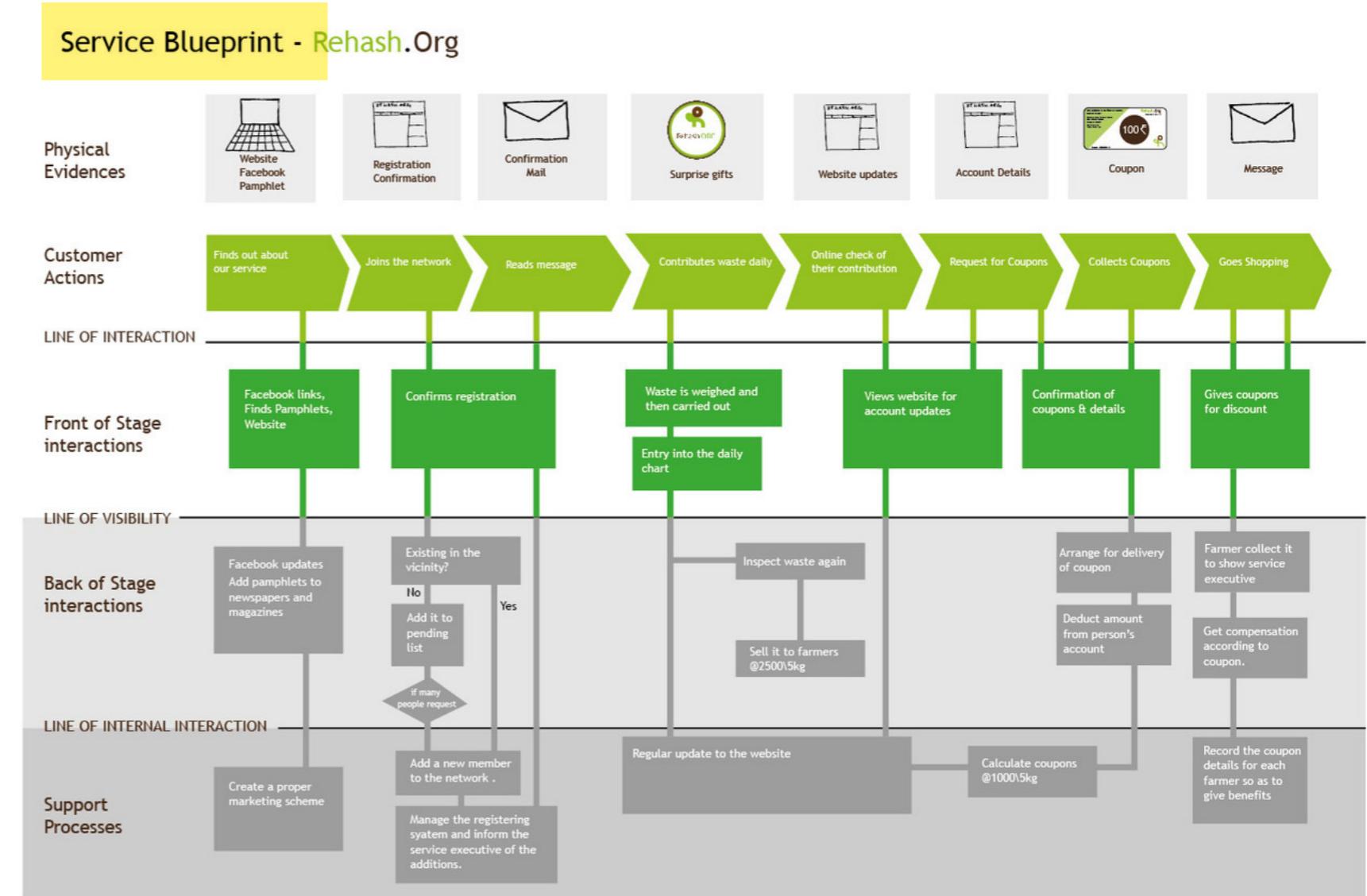
# Connecting experiences and process

## Service Blueprint

Service blueprint connects customers' journey and companies' processes.

It represent visually the set activities to be accomplished to meet the customer expectations at every single touchpoint.

Service blueprint map identifies also which are the processes with a direct impact on customer experience, and which are the supporting ones.



Example of a blueprint from Rehash.org