Mini MBA

IN

MARKETING

Module 3 Notes
Market Segmentation

Module 3
Segmentation

- Why we Segment Markets
- Methods for Segmentation
  - Demographic
  - Firmographic
  - Psychographic
  - Behavioural
  - Meaningful/Actionable grid
- Criteria for Good Segmentation
- The map of the market

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Focus Groups

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William Stanton

"Market segmentation is the process of dividing the total market for a good or service into several segments. Each of which tends to be homogeneous in all significant aspects with others within the segment, and heterogeneous from those in other segments."

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Module 3
Segmentation

- Market orientation demands it
- Balances Profits and Variation
- Avoids the dreaded "average"
- All customers are not created equal
- Product portfolio
- The start of STP

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Why Segment a Market?

Sally Dibb

> Market segmentation has been described as *the* cornerstone of modern marketing. It is an analytical process driven by customer needs, which helps maximise resources, emphasizes business strengths over competitors, and enables more effective and better targeted marketing programs to be developed.

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Demographic Segmentation

- External characteristics of the market
- Combing age, gender, income, location
- Firmographics: employees, industry type...
- Segmenting the **Marketing Week** consumers

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geoTribes

Higher

Socioeconomic Status
Drives the quality of solutions to meet Needs

Lower

10 9 8 7 6 5 4 3 2 1

1 Rockafellas (6.9%)
3 Fortunats (6.5%)
4 Crusaders (6.1%)
5 Prappies (4.8%)
Achievers (7.8%)
7 Suburban Splendour (8.7%)
Grey Power (6.2%)
9 debtStars (9.1%)
10 Boomers (6.1%)
13
6 Independents (5.7%)
8 Twixters (4.3%)
11 True Blues (6.5%)
12 Struggleville (6.8%)
15 Slender Meanz (6.1%)
Survivors (8.3%)
14

Living at Home	Young Independents	Young Families	Middle Aged Families	Mature Families	Mature Independents	Early Seniors	Late Seniors
A	B	C	D	E	F	G	H

Younger < Lifecycle Stage > Older
Strong driver of the types of Needs across people's lives

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Psychographic Segmentation

- Beliefs and general attitudes of the market
- A questionnaire
- Agree/Disagree with statements
- Clustered into groups with similar attitudes

13% I love the numbers side of marketing, no fluff just hard core quant is what I want
Quant Jocks

18% I'm scared someone will find out I have not got a clue about anything except fonts
Design Focus

18% I want to lead one day, and I see marketing as the best way to the boardroom.
C Suite Wannabe

24% I love to learn what brands are doing and what is working out there and what is not.
Strategists

27% I love all things to do with tech and digital but no interest in any "traditional" stuff
Digi-Freaks

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Psychographic Segmentation

Direction Takers	Balance Seekers	Willful Endurers	Priority Jugglers	Self Achievers
13%	**18%**	**27%**	**18%**	**24%**
• View physicians as the most credible source of information and look to them for direction and guidance • Likely to go to the doctor at the first sign of a health concern • Tend to ignore medical advice only when it's difficult to work recommendations into their routines.	• Dedicated to their health and wellness but don't pay as much attention as do Direction Takers when it comes to what doctors tell them • They prefer to come to their own conclusions about what success looks like after seeking information on treatment via the internet as well as friends and family	• Live for the here and now and put current pleasures over future health • Resistant to changing habits • Only visit the doctor when they absolutely must	• So busy with other responsibilities, they invest less in health and wellness, but are proactive about the health of their loved ones • Put off dealing with their own health issues until problems are too big to ignore or interfere with their responsibilities	• The most proactive about health and wellness but more likely than Balance Seekers to prioritize doctors' advice • Very task-oriented and will stay on top of health issues with medical check-ups and screenings • Willing to tackle challenges if given measurable goals
Best approach: The current one. They're looking for and are happy to follow doctors' orders	**Best approach:** Presenting them with options and choices, while stressing the consequences of each	**Best approach:** As the toughest groups to work with, they need simple steps and immediate gratification	**Best approach:** Appealing to their sense of duty and responsibility by pointing out that others depend on their health	**Best approach:** Provide health education and tasks along with baseline measures and tracking tools to reinforce their progress

Source: c2b Solutions

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Behavioural Segmentation

- Remember that survey we built last week?

Demographics
Q: Age
Q: Income
Q: Years of experience

Attitudinal
Q: Ease of Use
Q: Customer Service

Likert Scale

Behavioural
Q: Preference
Q: Usage
Q: Satisfaction

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Behavioural Segmentation

- We conduct our quantitative research
- Rather than analyse averages
- We look for different clusters of consumers
  - Different attitudes – eg See digital as the future
                              Prefer in depth reports
  - Different behaviors – eg Currently don't read MW
- We compare their demographics to rest of sample
  - Much more likely to be male, <35, City based
- We name the segment: Digi-Depth
- We extrapolate the sample % for market size

Digi-Depth

14,000 Consumers
£1.2M Value
25% Share

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GENOME SEGMENTS

IMAGE SEEKER — 18% OF CONSUMERS, 26% OF PROFITS, 24% WINE'S SHARE OF ALCOHOL CONSUMPTION, 12$ AVERAGE PRICE PER BOTTLE

ENGAGED NEWCOMER — 12% OF CONSUMERS, 14% OF PROFITS, 24% WINE'S SHARE OF ALCOHOL CONSUMPTION, 13$ AVERAGE PRICE PER BOTTLE

EVERYDAY LOYAL — 20% OF CONSUMERS, 22% OF PROFITS, 44% WINE'S SHARE OF ALCOHOL CONSUMPTION, 10$ AVERAGE PRICE PER BOTTLE

PRICE DRIVEN — 21% OF CONSUMERS, 14% OF PROFITS, 38% WINE'S SHARE OF ALCOHOL CONSUMPTION, 8$ AVERAGE PRICE PER BOTTLE

ENTHUSIAST — 10% OF CONSUMERS, 15% OF PROFITS, 40% WINE'S SHARE OF ALCOHOL CONSUMPTION, 13$ AVERAGE PRICE PER BOTTLE

OVERWHELMED — 19% OF CONSUMERS, 9% OF PROFITS, 34% WINE'S SHARE OF ALCOHOL CONSUMPTION, 9$ AVERAGE PRICE PER BOTTLE

Constellation Brands

Elevating Life with Every Glass Raised

MARKETING THAT MATTERS

GENOME SEGMENTS

IMAGE SEEKER

- **18%** OF CONSUMERS
- **26%** OF PROFITS
- **24%** WINE'S SHARE OF ALCOHOL CONSUMPTION
- **12$** AVERAGE PRICE PER BOTTLE

Image Seekers

Eighteen percent of wine drinkers seek status above all: "How others perceive me is important. I want to live a life that impresses others. I want to make sure the wine I choose says the right thing about me." They skew male, and have the highest household income of these six segments, although the average price they pay is on par with that of Enthusiasts and Newcomers. About a quarter of their alcohol consumption is wine.

10 bottles on hand, 7 glasses per month, $12 average bottle price

41 average age, 63% male, $91K household income

Favourite brands
Perception of our brands
Usage status of our brands
Competitors
Where he buys his wine
Main communication channels

Constellation Brands

Elevating Life with Every Glass Raised

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Meaningful x Actionable Grid – 12 Steps

1) Create a list of variables
2) Rate each /10 for meaningful
3) Rate each /10 for actionable
4) Multiply these scores for /100
5) Select top 4 to 6 variables
6) Arrange on a 2X2 axis

7) Collapse the cells
8) Name the segment
9) Populate it
10) Value it
11) Our market share
12) Spillover

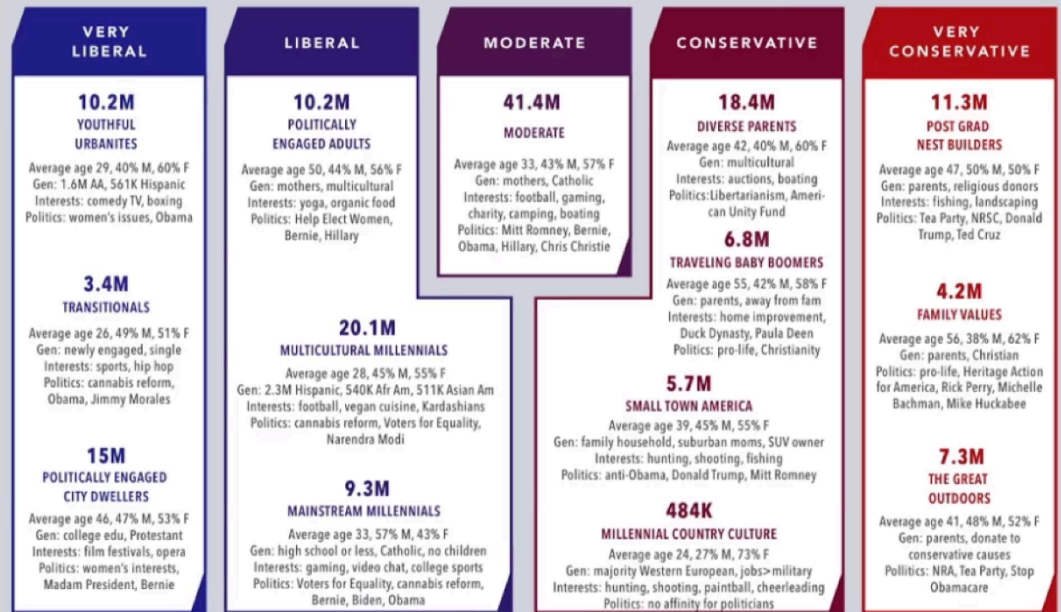|		Non Readers	Print Only		Web Site	
			50+ Employees	<50 Employees	<50 Employees	50+ Employees
Senior		Ignorant Executive 12,000 £110M 0%	Big Senior Page Turner 10,000 £280M 8%		Small Senior Browsers 5,000 £30M 30%	VIC 7,000 £230M 31%
Junior	30+	Ignorant Marketer 182,000 £25M 0%	Big Junior Page Turner 70,000 £24M 12%	Small Page Turner 55,000 £30M 9%	Mid Level Browsers 85,000 £30M 25%	
	<30				Junior Browsers 95,000 £12M 20%	

Assessing Good Segmentation

- Is the whole potential market included?
- Can a customer belong to only one segment?
- Homogenous inside, Heterogeneous to other segments?
- Are the names based on behaviour?
- Is the segmentation sized and valued correctly?
- Are the segment dynamics included?
- If Jo from sales comes into the room, what is her reaction?

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US POLITICAL SEGMENTATION 2016

Facebook's US Political Segmentation defines 14 independent segments of people along a political ideology spectrum. The segmentation begins with 5 baseline segments within the US population, then divides each of these segments into further segments, based on demographic, psychographic and behavioral signals from Facebook user data. The result is a comprehensive picture of Facebook users against various political affiliations, representing who they are, how they live, what they like and more.
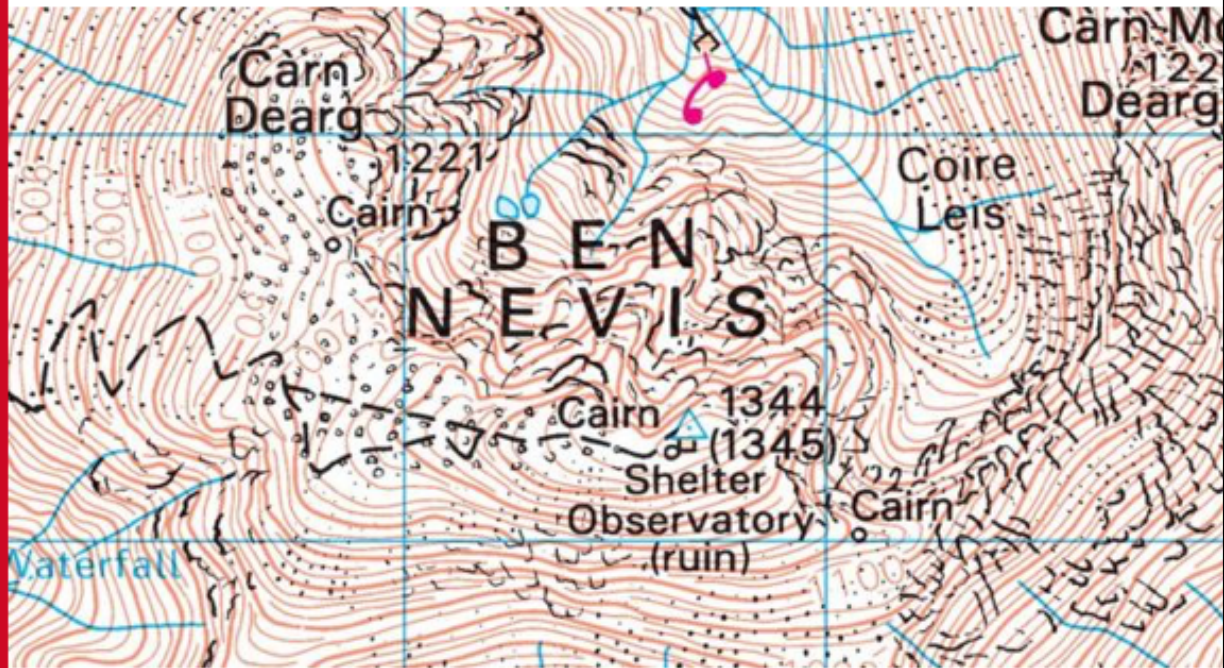
VERY LIBERAL

10.2M
YOUTHFUL URBANITES
Average age 29, 40% M, 60% F
Gen: 1.6M AA, 561K Hispanic
Interests: comedy TV, boxing
Politics: women's issues, Obama

3.4M
TRANSITIONALS
Average age 26, 49% M, 51% F
Gen: newly engaged, single
Interests: sports, hip hop
Politics: cannabis reform,
Obama, Jimmy Morales

15M
POLITICALLY ENGAGED
CITY DWELLERS
Average age 46, 47% M, 53% F
Gen: college edu, Protestant
Interests: film festivals, opera
Politics: women's interests,
Madam President, Bernie

LIBERAL

10.2M
POLITICALLY ENGAGED ADULTS
Average age 50, 44% M, 56% F
Gen: mothers, multicultural
Interests: yoga, organic food
Politics: Help Elect Women,
Bernie, Hillary

20.1M
MULTICULTURAL MILLENNIALS
Average age 28, 45% M, 55% F
Gen: 2.3M Hispanic, 540K Afr Am, 511K Asian Am
Interests: football, vegan cuisine, Kardashians
Politics: cannabis reform, Voters for Equality,
Narendra Modi

9.3M
MAINSTREAM MILLENNIALS
Average age 33, 57% M, 43% F
Gen: high school or less, Catholic, no children
Interests: gaming, video chat, college sports
Politics: Voters for Equality, cannabis reform,
Bernie, Biden, Obama

MODERATE

41.4M
MODERATE
Average age 33, 43% M, 57% F
Gen: mothers, Catholic
Interests: football, gaming,
charity, camping, boating
Politics: Mitt Romney, Bernie,
Obama, Hillary, Chris Christie

CONSERVATIVE

18.4M
DIVERSE PARENTS
Average age 42, 40% M, 60% F
Gen: multicultural
Interests: auctions, boating
Politics:Libertarianism, Ameri-
can Unity Fund

6.8M
TRAVELING BABY BOOMERS
Average age 55, 42% M, 58% F
Gen: parents, away from fam
Interests: home improvement,
Duck Dynasty, Paula Deen
Politics: pro-life, Christianity

5.7M
SMALL TOWN AMERICA
Average age 39, 45% M, 55% F
Gen: family household, suburban moms, SUV owner
Interests: hunting, shooting, fishing
Politics: anti-Obama, Donald Trump, Mitt Romney

484K
MILLENNIAL COUNTRY CULTURE
Average age 24, 27% M, 73% F
Gen: majority Western European, jobs>military
Interests: hunting, shooting, paintball, cheerleading
Politics: no affinity for politicians

VERY CONSERVATIVE

11.3M
POST GRAD
NEST BUILDERS
Average age 47, 50% M, 50% F
Gen: parents, religious donors
Interests: fishing, landscaping
Politics: Tea Party, NRSC, Donald
Trump, Ted Cruz

4.2M
FAMILY VALUES
Average age 56, 38% M, 62% F
Gen: parents, Christian
Politics: pro-life, Heritage Action
for America, Rick Perry, Michelle
Bachman, Mike Huckabee

7.3M
THE GREAT
OUTDOORS
Average age 41, 48% M, 52% F
Gen: parents, donate to
conservative causes
Pollitics: NRA, Tea Party, Stop
Obamacare

facebook

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Segmentation as the Map

The Five Big Take Homes

1 The Centrality of Segmentation

2 The Power of Behavioural Segmentation

3 The Meaningful / Actionable Grid

4 Name, Population, Value and Share

5 Market Segmentation is about the Market

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Our Digital Library