

by Russell I. Haley

# Benefit Segmentation: A Decision-Oriented Research Tool

*Marketing insight is limited only by the imagination.*

**M**arket segmentation has been steadily moving toward center stage as a topic of discussion in marketing and research circles. The idea that all markets can be profitably segmented has now received almost as widespread acceptance as the marketing concept itself. However, problems remain.

In the extreme, a marketer can divide up his market in as many ways as he can describe his prospects. If he wishes, he can define a left-handed segment or a blue-eyed segment or a German-speaking segment. Consequently, current discussion revolves largely around which of the virtually limitless alternatives is likely to be most productive.

Several varieties of market segmentation have been popular in the recent past. At least three kinds have achieved some degree of prominence: geographic, demographic, and volume segmentation.

Perhaps the first type to exist was geographic segmentation. Small manufacturers who wished to limit their investments, or whose distribution channels were not large enough to cover the entire country, segmented the U.S. market, in effect, by selling their products only in certain areas.

However, as more and more brands became national, the second major system of segmentation—demographic segmentation—became popular. Under this philosophy, targets were defined as younger people, men, or families with children. Unfortunately, a number of recent studies have shown that demo-

graphic variables such as age, sex, income, occupation, and race are, in general, poor predictors of behavior and, consequently, less than optimum bases for segmentation strategies.

More recently, a third type of segmentation has come into increasing favor: volume segmentation. The so-called "heavy half" theory, popularized by Dik Twest of the Oscar Meyer Co., points out that, in most product categories, one-half of the consumers account for around 80% of the consumption.

If this is true, the argument goes, shouldn't knowledgeable marketers concentrate their efforts on these high-volume consumers? Certainly, they are the most valuable consumers.

The trouble with this line of reasoning is that not all heavy consumers are usually available to the same brand because they

are not all seeking the same kinds of benefits from a product. For example, heavy coffee drinkers consist of two types of consumers—those who drink chain-store brands and those who drink premium brands.

The chain store customers feel that all coffees are basically alike and, because they drink so much coffee, they feel it is sensible to buy a relatively inexpensive brand. The premium brand buyers, on the other hand, feel that the few added pennies which coffees like Yuban, Martinson's, Chock Full O'Nuts, and Savarin cost are more than justified by their fuller taste.

Obviously these two groups of people, although they are both members of the "heavy half" segment, are not equally good prospects for any one brand, nor can they be expected to respond to the same advertising claims.

## EXECUTIVE BRIEFING

*In each issue of Marketing Management we reprint an important article from a past issue of one of our sister publications. This article first appeared in the July 1968 issue of the Journal of Marketing. Haley, originator of benefit segmentation and the matched checker-board system of market testing, is a member of the AMA's Attitude Research Hall of Fame and the Market Research Council of New York's Hall of Fame. Now head of Russ Haley & Associates in Kennett Square, Pa., Haley says "benefit segmentation continues to...provide useful insights into consumer markets."*

These three systems of segmentation have been used because they provide helpful guidance in the use of certain marketing tools. For example, geographic segmentation, because it describes the market in a discrete way, provides definite direction in media purchases. Spot TV, spot radio, and newspapers can be bought for the geographical segment selected for concentrated effort.

Similarly, demographic segmentation allows media to be bought more efficiently because demographic data on readers, viewers, and listeners are readily available for most media vehicles. Also, in some product categories, demographic variables are extremely helpful in differentiating users from nonusers, although they are typically less helpful in distinguishing between the users of various brands.

The heavy-half philosophy is especially effective in directing dollars toward the most important parts of the market.

However, each of these three segmentation systems is handicapped by an underlying disadvantage inherent in its nature. All are based on an ex-post facto analysis of the kinds of people who make up various segments of a market. They rely on descriptive factors rather than causal factors. For this reason, they are not efficient predictors of future buying behavior, and it is future buying behavior that is of central interest to marketers.

### **Benefit Segmentation**

An approach to market segmentation, whereby it is possible to identify market segments by causal factors rather than descriptive factors, might be called "benefit segmentation." The belief underlying this segmentation strategy is that the benefits which people are seeking in consuming a given product are the basic reasons for the existence of true market segments.

Experience with this approach has shown that benefits sought by consumers determine their behavior much more accurately than do demographic characteristics or volume of consumption.

This does not mean that the kinds of data gathered in more traditional types of segmentation are not useful. Once people have been classified into segments in accordance with the benefits they are seeking, each segment is contrasted with all of the other segments in terms of its demography, its volume of consumption, its brand perceptions, its media habits, its personality and lifestyle, and so forth.

In this way, a reasonably deep under-

standing of the people who make up each segment can be obtained. And, by capitalizing on this understanding, it is possible to reach them, to talk to them in their own terms, and to present a product in the most favorable light possible.

The benefit segmentation approach is not new. It has been employed by a number of America's largest corporations since it was introduced in 1961. However, case histories have been notably absent from the literature because most studies have been contracted for privately, and have been treated confidentially.

This approach is based on being able to measure consumer value systems in detail, together with what the consumer thinks about various brands in the product category of interest. While this concept seems simple enough, operationally, it is very complex.

There is no simple, straightforward way of handling the volumes of data that have to be generated. Computers and sophisticated multivariate attitude measurement techniques are a necessity.

Several alternative statistical approaches can be employed, among them the so-called "Q" technique of factor analysis, multidimensional scaling, and other distance measures.

All of these methods relate the ratings of each respondent to those of every other respondent and then seek clusters of individuals with similar rating patterns. If the items rated are potential consumer benefits, the clusters that emerge will be groups of people who attach similar degrees of importance to the various benefits.

Whatever the statistical approach selected, the end result of the analysis is likely to be between three and seven consumer segments, each representing a potentially productive focal point for marketing efforts.

Each segment is identified by the benefits it is seeking. However, it is the total configuration of the benefits sought that differentiates one segment from another, rather than the fact that one segment is seeking one particular benefit and another a quite different benefit.

Individual benefits are likely to have appeal for several segments. In fact, the research that has been done thus far suggests that most people would like as many benefits as possible. However, the relative importance they attach to individual benefits can differ importantly and, accordingly, can be used as an effective lever in segmenting markets.

Of course, it is possible to determine

benefit segments intuitively as well as with computers and sophisticated research methods. The kinds of brilliant insights that produced the Mustang and the first 100-millimeter cigarette have a good chance of succeeding whenever marketers are able to tap an existing benefit segment.

However, intuition can be very expensive when it is mistaken. Marketing history is replete with examples of products someone felt could not miss. Over the longer term, systematic benefit segmentation research is likely to have a higher proportion of successes.

### **Wide Range of Applications**

But is benefit segmentation practical? And is it truly operational? The answer is yes. In effect, the crux of the problem of choosing the best segmentation system is to determine which has the greatest number of practical marketing implications. An example should show that benefit segmentation has a much wider range of implications than alternative forms of segmentation.

Let's assume that a benefit segmentation study has been done in the toothpaste market and four major segments have been identified: one particularly concerned with decay prevention, one with brightness of teeth, one with the flavor and appearance of the product, and one with price.

A relatively large amount of supplementary information has also been gathered about the people in each of these segments (see Exhibit 1).

**The Worriers.** The decay prevention segment, it has been found, contains a disproportionately large number of families with children. They are seriously concerned about the possibility of cavities and show a definite preference for fluoride toothpaste.

This is reinforced by their personalities. They tend to be a little hypochondriacal and, in their lifestyles, they are less socially oriented than some of the other groups.

**The Sociables.** The second segment, comprised of people who show concern for the brightness of their teeth, includes a relatively large group of young marrieds who smoke more than average.

This is where the swingers are. They are strongly social, and their lifestyle patterns are very active. This is probably the group to which toothpastes such as Macleans or Plus White or Ultra Brite would appeal.

**The Sensory Segment.** In the third seg-

## EXHIBIT 1

### Toothpaste market segment description

	The Worriers	The Sociables	The Sensory Segment	The Independent Segment
Principal benefit sought:	Decay prevention	Brightness of teeth	Flavor, product appearance	Price
Demographic strengths:	Large families	Teens, young people	Children	Men
Special behavioral characteristics:	Heavy users	Smokers	Users of spearmint flavored toothpaste	Heavy users
Brands disproportionately favored:	Crest	Macleans, Plus White, Ultra Brite	Colgate, Stripe	Brands on sale
Personality characteristics:	High hypochondriasis	High sociability	High self-involvement	High autonomy
Lifestyle characteristics:	Conservative	Active	Hedonistic	Value-oriented

ment, the one which is particularly concerned with the flavor and appearance of the product, a large portion of the brand deciders are children. Their use of spearmint toothpaste is well above average, and Stripe has done relatively well among members of this segment.

They are more ego-centered than other segments, and their lifestyle is outgoing but not to the extent of the swingers.

**The Independent Segment.** The fourth segment, the price-oriented segment, shows a predominance of men and tends to be above average in terms of toothpaste usage. People in this segment see very few meaningful differences between brands. They switch more frequently than people in other segments and tend to buy a brand on sale.

In terms of their personalities, members of this segment are cognitive and independent. They like to think for themselves and make brand choices on the basis of their judgment.

#### Marketing Implications

Depending upon which of these segments is chosen as the target—the Worriers, the Sociables, the Sensory Segment, or the Independent Segment—both copy directions and media choices will show sharp differences.

For example, the tonality of the copy will be light if the Sociables are being addressed. It will be more serious if the copy is aimed at the Worriers. And, if the Independent Segment is selected, it will probably be desirable to use rational, two-sided arguments. However, to talk to this group at all, it will be necessary to

have either a price edge or some kind of demonstrable product superiority.

The depth-of-sell reflected by the copy will also vary, depending on the segment of interest. It will be fairly intensive for the Worrier and the Independent Segment, but much more superficial and mood-oriented for the Sociables and the Sensory Segment.

Likewise, the setting will vary. It will focus on the product for the Sensory Segment, on socially oriented situations for the Sociables, and perhaps on demonstration or on competitive comparisons for the Independent Segment.

Media environments also will be tailored to the segments chosen as targets. Those with serious environments will be used for the Worrier and Independent Segments, and those with youthful, modern, and active environments for the Sociable and Sensory Segments. For example, it might be logical to use a larger proportion of television for the Sociable and Sensory Segments, whereas the Worriers and Independents might have heavier print schedules.

The depth-of-sell needed will also be reflected in the media choices. For the Worrier and Independent Segments longer commercials—perhaps 60-second spots—would be indicated, whereas shorter commercials and higher frequency would be desirable for the other two groups.

In media selection, the facts that have been gathered about the demographic characteristics of the segment chosen as the target would also be taken into consideration.

The information in Exhibit 1 also has packaging implications. For example, it might be appropriate to have colorful

packages for the Sensory Segment, perhaps aqua (to indicate fluoride) for the Worriers, and gleaming white for the Sociables because of their interest in bright, white teeth.

It should be readily apparent that the kinds of information normally obtained in the course of a benefit segmentation study have a wide range of marketing implications. Sometimes they are useful in suggesting physical changes in a product.

For example, one manufacturer discovered that his product was well-suited to the needs of his chosen target with a single exception in the area of flavor. He was able to make a relatively inexpensive modification in his product and, thereby, strengthen his market position.

The new product implications of benefit segmentation studies are equally apparent. Once a marketer understands the kinds of segments that exist in his market, he is often able to see new product opportunities or particularly effective ways of positioning the products emerging from his research and development operation. Similarly, benefit segmentation information has been found helpful in providing direction in the choice of compatible point-of-purchase materials and in the selection of the kinds of sales promotions that are most likely to be effective for any given market target.

#### Making Generalizations

A number of generalizations are possible on the basis of the major benefit segmentation studies that have been conducted thus far. For example, the following general rules of thumb have become apparent:

- It is easier to take advantage of market segments that already exist than to attempt to create new ones. Some time ago, the strategy of product differentiation was heavily emphasized in marketing textbooks. Under this philosophy, it was believed that a manufacturer was more or less able to create new market segments at will by making his product somewhat different from those of his competitors.

Now it is generally recognized that fewer costly errors will be made if money is first invested in consumer research aimed at determining the present contours of the market. Once this knowledge is available, it is usually most efficient to tailor marketing strategies to existing consumer-need patterns.

- No brand can expect to appeal to all consumers. The very act of attracting one segment may automatically alienate others. A corollary to this principle is that any marketer who wishes to cover a market fully must offer consumers more than a single brand. The flood of new brands that have recently appeared on the market is concrete recognition of this principle.

- A company's brands can sometimes cannibalize each other, but need not necessarily do so. It depends on whether or not they are positioned against the same segment of the market. Ivory Snow sharply reduced Ivory Flakes' share of market, and the Ford Falcon cut deeply into the sales of the standard size Ford because, in each case, the products were competing in the same segments.

Later on, for the same companies, the Mustang was successfully introduced with comparatively little damage to Ford and the success of Crest did not have a disproportionate adverse effect on Gleem's market position because, in these cases, the segments to which the products appealed were different.

- New and old products alike should be designed to fit exactly the needs of some segment of the market. In other words, they should be aimed at people seeking a specific combination of benefits. It is a marketing truism that you sell people one at a time—that you have to get *someone* to buy your product before you get *anyone* to buy it.

A substantial group of people must be interested in your specific set of benefits before you can make progress in a market. Yet, many products attempt to aim at two or more segments simultaneously.

As a result, they are not able to maximize their appeal to any segment of the market, and they run the risk of ending up with a dangerously fuzzy brand image.

- Marketers who adopt a benefit segmentation strategy have a distinct competitive edge. If a benefit segment can be located that is seeking the kinds of satisfactions that one marketer's brand can offer better than any other brand, the marketer can almost certainly dominate the purchases of that segment.

Furthermore, if his competitors are looking at the market in terms of traditional types of segments, they may not even be aware of the existence of the benefit segment that he has chosen as his market target. If they are ignorant in this sense, they will be at a loss to explain the success of the brand. And it naturally follows that, if they do not understand the reasons for his success, the kinds of people buying his brand, and the benefits they are obtaining from it, his competitors will find it very difficult to successfully attack the marketer's position.

- An understanding of the benefit segments that exist within a market can be used to advantage when competitors introduce new products. Once the way in which consumers are positioning the new product has been determined, the likelihood that it will make major inroads into segments of interest can be assessed, and a decision can be made on whether or not counteractions of any kind are required.

If the new product appears to be assuming an ambiguous position, no money need be invested in defensive measures. However, if it appears that the new product is ideally suited to the needs of an important segment of the market, the manufacturer in question can introduce a new competitive product of his own, modify the physical properties of existing brands, change his advertising strategy, or take whatever steps appear appropriate.

## Types of Segments

It is difficult to generalize about the types of segments one is apt to discover in the course of a benefit segmentation study. To a large extent, the segments which have been found have been unique to the product categories being analyzed. However, a few types of segments have appeared in two or more private studies:

- The Status Seeker is a consumer who is

very concerned with the prestige of the brands purchased.

- The Swinger tries to be modern and up-to-date in all activities, including brand selection.

- The Conservative prefers to stick to large, successful companies and popular brands.

- The Rational Man looks for benefits such as economy, value, durability, and so forth.

- The Inner-Directed Man is especially concerned with self-concept. Members of this group consider themselves to be independent and honest and to have a sense of humor.

- The Hedonist is concerned primarily with sensory benefits.

Some of these segments appear among the customers of almost all products and services. However, there is no guarantee that a majority of them or, for that matter, any of them exist in any given product category. Finding out whether they do and, if so, what should be done about them is the purpose of benefit segmentation research.

## Conclusion

The benefit segmentation approach is of particular interest because it never fails to provide fresh insight into markets. As was indicated in the toothpaste example, the marketing implications of this analytical research tool are limited only by the imagination of the person using the information a segmentation study provides.

In effect, when segmentation studies are conducted, a number of smaller markets emerge instead of one large one. Moreover, each of these smaller markets can be subjected to the same kinds of thorough analyses to which total markets have been subjected in the past. The only difference—a crucial one—is that the total market was a heterogeneous conglomeration of subgroups. The so-called average consumer existed only in the minds of some marketing people.

When benefit segmentation is used, a number of relatively homogeneous segments are uncovered. And, because they are homogeneous, descriptions of them in terms of averages are much more appropriate and meaningful as marketing guides. **MM**

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