

Beverage Company

Segmentation Memo (V1)

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A segmentation analysis was conducted using responses from 980 panel respondents¹. This panel included 51 psychographic questions, which were used as inputs to segment users into one of 5 identified segments described below. A range of 2-8 segments were considered for this analysis.

Ultimately, a 5-segment approach was deemed optimal through statistical means and sanity-checking that the characterization of each was meaningful.

Segment Overview:

Below you will find an overview of each identified segment, an estimate of the market share for each.

Segment Sizes					
	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5
Estimated Market Share (%)	23%	11%	15%	22%	29%

Segment Summaries:

Below we present the 5 segments as identified by our analysis. For each segment we provide a:

1. Characterization
2. Demographic breakdown
3. Likelihood to purchase kombucha
4. Recommended approach to engage the segment
5. Summary of the dominant values that define each segment², presented as index values
 - a. An index value > 100 indicates higher than average *agreement* with the statement
 - b. An index value < 100 indicates a higher than average *disagreement* with the statement

¹ 20 respondents were removed due to missing values in their responses
² These values generally span: openness, adventurousness, healthy living & fiscal responsibility

Segment 1 - (23%)

Characterization

Segment 1 is composed of middle aged, more urban individuals who often live with others and have children. Individuals in segment 1 work quite a bit and are too busy to think about their well-being, although ideally they'd like to maintain a healthy lifestyle. For them, convenience and spontaneity reign supreme.

This group's interest in kombucha likely stems from its placement as an easy, quick way to stay healthy.

Demographics (shown as % of segment)

- More likely to be between the ages of 18-30 (36%)
 - Plurality between the ages of 31-45 (46%)
- 49% Urban / 40% Suburban / 11% Rural
- More likely to be African/Caribbean American/Black (20%)
 - Majority white (58%)
- 47% of households earn \$50K or more
- 54% have 3+ people in the household
 - 52% live with children
- 41% liberal / 40% moderate
- 50% working full-time / 8% retired
- Attitude:
 - 43% say healthy diet is extremely important / 44% always maintain one
 - 38% extremely interested in trying new foods

Likelihood to Purchase Kombucha - High

- 34% are interested in kombucha
- 50% have tried it
- 68% who have tried it, drink it multiple times per month

Recommended Approach To Segment

These individuals are open to kombucha so long as it's convenient and easy. It may be difficult to lure these customers in by building brand-loyalty, rather it may be worthwhile to emphasize how kombucha can make being healthier easier, especially while on the run between home, family and work. Consider product placement in easy to access locations.

Defining Values

Value	Agreement Index	Segment % strongly agree or agree	Total % strongly agree or agree
As I grow older, I've become less interested in the world around me.	205	82%	40%

I am often too busy to think about my own wellness.	198	81%	41%
I do not think it is necessary to be healthy to be happy.	188	77%	41%
I tend to see the world in black and white rather than shades of gray.	174	87%	50%
I prefer acting spontaneously to planning ahead.	168	79%	47%
Value	Disagreement Index	Segment % strongly agree or agree	Total % strongly agree or agree
I prefer to prioritize quality over quantity when buying products.	91	74%	81%
I try my best to stick to my monthly budget.	90	74%	82%
I value products that fit into my day-to-day routine.	88	78%	89%
I am self-aware of my habits.	85	76%	89%
Getting a good deal is important when buying products or services.	84	73%	87%

Segment 2 - (11%)

Characterization

Segment 2 is composed of younger, more racially diverse and independent individuals. People in segment 2 are extremely value oriented and want to purchase from brands that align with their personal values. These individuals are solo-goers, their decisions tend to focus on what's best for them, including how they spend their money.

This group's interest in kombucha likely stems from their value-alignment with kombucha brands and the healthy lifestyles they promise.

Demographics (shown as % of segment)

- Plurality between the ages of 18-30 (39%)
- 41% Urban / 47% Suburban / 12% Rural
- More likely to be African/Caribbean American/Black (20%) or Hispanic/Latino (19%)
 - Majority white (55%)
- 44% of households earn \$50K or more
- 40% have 3+ people in the household
 - 35% live with children
- 46% liberal / 34% moderate
- 44% working full-time / 13% retired
- Attitude:
 - 33% say healthy diet is extremely important / 35% always maintain one
 - 34% extremely interested in trying new foods

Likelihood to Purchase Kombucha - High

- 31% are interested in kombucha
- 48% have tried it
- 52% who have tried it, drink it multiple times per month

Recommended Approach To Segment

These individuals are open to kombucha so long as they believe in the brand. This group is more likely to be liberal and racially diverse, marketing materials should target these groups and their associated values specifically to build brand loyalty.

Defining Values

Value	Agreement Index	Segment % strongly agree or agree	Total % strongly agree or agree
I prefer acting spontaneously to planning ahead.	181	85%	47%
Before I purchase a product, I consider a	146	79%	54%

company's values.			
Saving money isn't one of the most important factors when buying products or services.	137	70%	51%
I usually balance unhealthy meals with more exercise.	135	73%	54%
I only purchase from brands that are in alignment with my personal values.	134	71%	53%
Value	Disagreement Index	Segment % strongly agree or agree	Total % strongly agree or agree
Having a positive impact on others is most important to me.	84	66%	79%
I tend to think about others when making a decision.	84	65%	77%
I tend to value familiarity and comfort over spontaneity.	82	65%	79%
Life is more fun when I enjoy the same things as the people I am closest to.	77	62%	81%
My lifestyle is driven by my responsibility to others.	73	46%	63%

Segment 3 - (15%)

Characterization

Segment 3 is composed of more suburban, wealthy white individuals. People in segment 3 want to be healthy and care about how they are perceived, but struggle with maintaining that lifestyle. Convenience and spontaneity again reign supreme for this group despite wanting to be more intentional with their habits.

This group's interest in kombucha stems from kombucha's placement as an easy way to incorporate healthy habits into an everyday lifestyle. Though they struggle to maintain the habit, they're interested in it.

Demographics (shown as % of segment)

- Roughly likely to be of any age
 - Small plurality between the ages of 18-30 (28%)
- 36% Urban / 48% Suburban / 16% Rural
- Majority white (69%)
- 62% of households earn \$50K or more
- 38% have 3+ people in the household
 - 27% live with children
- 38% liberal / 34% moderate
- 43% working full-time / 25% retired
- Attitude:
 - 23% say healthy diet is extremely important / 22% always maintain one
 - 30% extremely interested in trying new foods

Likelihood to Purchase Kombucha - High

- 42% are interested in kombucha
- 38% have tried it
- 29% who have tried it, drink it multiple times per month

Recommended Approach To Segment

This group wants to try kombucha and wants to be healthier, but struggles to do so. Consider ways to market kombucha as easy to fit into a plan. Better yet, provide a nutrition plan that includes kombucha, or examples of ways to incorporate kombucha into a healthy lifestyle.

Defining Values

Value	Agreement Index	Segment % strongly agree or agree	Total % strongly agree or agree
I tend to buy things based on how I am feeling that day.	144	79%	55%

I often buy things that I crave in the moment.	137	81%	59%
I struggle to stick with lifestyle changes that I want to make.	128	73%	57%
Sometimes I compromise healthy habits for convenience.	125	91%	73%
I am comfortable buying a product without knowing how it was made.	124	77%	62%
Value	Disagreement Index	Segment % strongly agree or agree	Total % strongly agree or agree
I tend to shop only when I need specific items.	84	64%	76%
I couldn't care less about what others think of me.	78	52%	67%
I do not think it is necessary to be healthy to be happy.	54	22%	41%
I tend to see the world in black and white rather than shades of gray.	44	22%	50%
As I grow older, I've become less interested in the world around me.	32	13%	40%

Segment 4 - (22%)

Characterization

Segment 4 is composed of more suburban and rural, older, white individuals. People in segment 4 see being healthy as a chore and don't prioritize a healthy lifestyle. They don't care much what others think of them, in beliefs and in health. Their purchasing tends to revolve around items they believe they need, as opposed to things they intrinsically want.

This group's disinterest in kombucha stems primarily from their disinterest in health, period.

Demographics (shown as % of segment)

- More likely to be 64+ (25%)
 - Plurality between the ages of 46-64 (47%)
- 24% Urban / 56% Suburban / 20% Rural
- Predominantly white (79%)
- 49% of households earn \$50K or more
- 23% have 3+ people in the household
 - 17% live with children
- 25% liberal / 40% moderate
- 33% working full-time / 29% retired
- Attitude:
 - 8% say healthy diet is extremely important / 9% always maintain one
 - 12% extremely interested in trying new foods

Likelihood to Purchase Kombucha - *Moderate to Low*

- 27% are interested in kombucha
- 18% have tried it
- 22% who have tried it, drink it multiple times per month

Recommended Approach To Segment

This group would be hard to activate. Marketing, if any, would need to convince this group that kombucha is a necessary part of a healthy lifestyle, and that a healthy lifestyle is one worth prioritizing.

Defining Values

Value	Agreement Index	Segment % strongly agree or agree	Total % strongly agree or agree
I do not usually associate healthy foods with delicious flavors.	134	71%	53%
I am comfortable buying a product without knowing how it was made.	121	75%	62%

I couldn't care less about what others think of me.	121	81%	67%
I tend to shop only when I need specific items.	117	89%	76%
Sometimes I compromise healthy habits for convenience.	115	84%	73%
Value	Disagreement Index	Segment % strongly agree or agree	Total % strongly agree or agree
I only associate with people who share my values.	55	29%	53%
I usually balance unhealthy meals with more exercise.	48	26%	54%
I only purchase from brands that are in alignment with my personal values.	36	19%	53%
Before I purchase a product, I consider a company's values.	31	17%	54%
I regularly go out of my way to find healthy alternatives for my favorite foods or beverages.	27	16%	60%

Segment 5 - (29%)

Characterization

Segment 5 is composed of older, white individuals living in the suburbs. People in segment 5 are the opposite of those in 4 – as age creeps up on them, they're increasingly interested in finding ways to stay healthy. They're intentional about their health, meaning they won't blindly buy a product, and they prioritize personal wellness as a way to maintain happiness.

This group's interest in kombucha stems from their strong interest in living a healthy lifestyle as they age into retirement.

Demographics (shown as % of segment)

- More likely to be 64+ (28%)
 - Plurality between the ages of 46-64 (43%)
- 26% Urban / 54% Suburban / 21% Rural
- Predominantly white (74%)
- 54% of households earn \$50K or more
- 27% have 3+ people in the household
 - 20% live with children
- 29% liberal / 38% moderate
- 35% working full-time / 32% retired
- Attitude:
 - 43% say healthy diet is extremely important / 41% always maintain one
 - 30% extremely interested in trying new foods

Likelihood to Purchase Kombucha - *Moderate*

- 29% are interested in kombucha
- 27% have tried it
- 37% who have tried it, drink it multiple times per month

Recommended Approach To Segment

This group could potentially become loyal customers, but you'll have to earn their business. Marketing materials should cater to their open-minded and curious nature about health. Promote information surrounding the benefits of kombucha, particularly for those who are a bit older.

Defining Values

Value	Agreement Index	Segment % strongly agree or agree	Total % strongly agree or agree
I enjoy learning about how the things I consume impact my health.	121	93%	77%
I regularly go out of my way to find healthy	118	71%	60%

alternatives for my favorite foods or beverages.			
Personal wellness is one of my top priorities.	117	94%	80%
I like to know all the details about a product before purchasing it.	116	86%	74%
Having a positive impact on others is most important to me.	113	89%	79%
Value	Disagreement Index	Segment % strongly agree or agree	Total % strongly agree or agree
I do not usually associate healthy foods with delicious flavors.	49	26%	53%
I am comfortable buying a product without knowing how it was made.	47	29%	62%
I prefer acting spontaneously to planning ahead.	40	19%	47%
I do not think it is necessary to be healthy to be happy.	39	16%	41%
I am often too busy to think about my own wellness.	32	13%	41%

Appendix

Decision to use 5 segments

Our analysis identified 5 segments to be most optimal using the criteria below. Although the 5-segment approach did not fully optimize the errors below, it does lead to well distributed, robust segments. Other solutions that do optimize the errors don't necessarily lead to well-defined, interpretable segments in the same way.

Clusters	Methodology	Silhouette Score ³	Dispersion Score ⁴	Largest Segment (%)	Smallest Segment (%)
5	NMF ⁵	.28	.52	29%	11%

Cluster Methodology

We used non-negative matrix factorization for this analysis. This approach takes the respondents' responses to the psychographic battery (51 questions) as an *input* and creates two new matrices: one showing which creates clusters from highly correlated features (i.e. psychographic questions) and another which assigns each respondent to the cluster they most belong to.

This approach allows us to gain insights into both:

1. The clusters to which users belong
2. The dominant views/values of each of those clusters by way of the correlated features

³ A measure of how good the clustering is; shows how similar a given data point is to its own cluster. Ranges from -1 to 1, and higher is better.

⁴ A measure of how consistently a given data point is assigned to the same cluster. Ranges from 0 to 1, and higher is better.

⁵ Non-negative matrix factorization