

Benefit Segmentation: A Decision-oriented Research Tool

RUSSELL I. HALEY

According to this article, most techniques of market segmentation rely only on DESCRIPTIVE factors pertaining to purchasers and are not efficient predictors of future buyer behavior. The author proposes an approach whereby market segments are delineated first on the basis of factors with a CAUSAL relationship to future purchase behavior. 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.

Journal of Marketing, Vol. 32 (July, 1963), pp. 30-35.

M ARKET segmentation has been steadily moving toward center stage as a topic of discussion in marketing and research circles. Hardly a conference passes without at least one session devoted to it. Moreover, in March the American Management Association held a three-day conference entirely concerned with various aspects of the segmentation problem.

According to Wendell Smith, "Segmentation is based upon developments on the demand side of the market and represents a rational and more precise adjustment of product and marketing effort to consumer or user requirements."¹ 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.

Segmentation Methods

Several varieties of market segmentation have been popular in the recent past. At least three kinds have achieved some degree of prominence. Historically, 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 demographic 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.²

¹ Wendell R. Smith, "Product Differentiation and Market Segmentation as Alternative Product Strategies," *JOURNAL OF MARKETING*, Vol. XXI (July, 1956), pp. 3-8.

² Ronald E. Frank, "Correlates of Buying Behavior for Grocery Products," *JOURNAL OF MARKETING*, Vol. 31 (October, 1967), pp. 48-53; Ronald E. Frank, William Massy, and Harper W. Boyd, Jr., "Correlates of Grocery Product Consumption Rates," *Journal of Marketing Research*, Vol. 4 (May, 1967), pp. 184-190; and Clark Wilson, "Home-maker Living Patterns and Marketplace Behavior—A Psychometric Approach," in John S. Wright and Jac L. Goldstucker, Editors, *New Ideas for Successful Marketing*, Proceedings of 1966 World Congress (Chicago: American Marketing Association, June, 1966), pp. 305-331.

More recently, a third type of segmentation has come into increasing favor—volume segmentation. The so-called “heavy half” theory, popularized by Dik Twedt of the Oscar Mayer Company,³ 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.

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 since 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 non-users, 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 systems of segmentation 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 life-style, and so forth. In this way, a reasonably deep understanding 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 1961.⁴ However, case histories have been notably absent from the literature because most studies have been contracted for privately, and have been treated confidentially.

⁴ Russell I. Haley, “Experimental Research on Attitudes Toward Shampoos,” an unpublished paper (February, 1961).

• **ABOUT THE AUTHOR.** Russell I. Haley is Vice President and Corporate Research Director of D’Arcy Advertising in New York City. Prior to his current position he was Vice President and Associate Director of the Marketing and Research Department at Grey Advertising. While there, he developed new methods for measuring attitudes, a unique way of segmenting markets by attitude patterns, and improved methods of conducting large-scale market tests. Mr. Haley received his M.B.A. from Columbia in marketing and statistics.

Mr. Haley is a past president of the Cleveland Chapter of the American Statistical Association. He is a member of the American Marketing Association, the American Association for Public Opinion Research, and the Executive Committee of the Copy Research Council. Mr. Haley is currently Chairman of an A.R.F. Committee dealing with attitude measurement and is teaching at Rutgers University.



³ Dik Warren Twedt, “Some Practical Applications of the ‘Heavy Half’ Theory” (New York: Advertising Research Foundation 10th Annual Conference, October 6, 1964).

The benefit segmentation approach is based upon 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, multi-dimensional scaling, and other distance measures.⁵ 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 which 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 which 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 which someone felt could not miss. Over the longer term, systematic benefit segmentation research is likely to have a higher proportion of successes.

But is benefit segmentation practical? And is it truly operational? The answer to both of these questions is "yes." In effect, the crux of the prob-

lem 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.

An Example of Benefit Segmentation

While the material presented here is purely illustrative to protect the competitive edge of companies who have invested in studies of this kind, it is based on actual segmentation studies. Consequently, it is quite typical of the kinds of things which are normally learned in the course of a benefit segmentation study.

The toothpaste market has been chosen as an example because it is one with which everyone is familiar. Let us assume that a benefit segmentation study has been done 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 (Table 1) about the people in each of these segments.

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 life-styles, they are less socially-oriented than some of the other groups. This segment has been named The Worriers.

The second segment, comprised of people who show concern for the brightness of their teeth, is quite different. It includes a relatively large group of young marrieds. They smoke more than average. This is where the swingers are. They are strongly social and their life-style patterns are very active. This is probably the group to which toothpastes such as Macleans or Plus White or Ultra Brite would appeal. This segment has been named The Sociables.

In the third segment, 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. Stripe has done relatively well in this segment. They are more ego-centered than other segments, and their life-style is outgoing but not to the extent of the swingers. They will be called The Sensory Segment.

The fourth segment, the price-oriented segment, shows a predominance of men. It 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

⁵ Ronald E. Frank and Paul E. Green, "Numerical Taxonomy in Marketing Analysis: A Review Article," *Journal of Marketing Research*, Vol. V (February, 1968), pp. 83-98.

TABLE 1
TOOTHPASTE MARKET SEGMENT DESCRIPTION

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

people in other segments and tend to buy a brand on sale. In terms of personality, they are cognitive and they are independent. They like to think for themselves and make brand choices on the basis of their judgment. They will be called The Independent Segment.

Marketing Implications of Benefit Segmentation Studies

Both copy directions and media choices will show sharp differences depending upon which of these segments is chosen as the target—The Worriers, The Sociables, The Sensory Segment, or The Independent Segment. For example, the tonality of the copy will be light if The Sociable Segment or The Sensory Segment is to be 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. Of course, 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 upon the segment which is of interest. It will be fairly intensive for The Worrier Segment and for The Independent Segment, but much more superficial and mood-oriented for The Sociable and Sensory Segments.

Likewise, the setting will vary. It will focus on the product for The Sensory Group, on socially-oriented situations for The Sociable Group, and perhaps on demonstration or on competitive comparisons for The Independent Group.

Media environments will also 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 the Sensory Groups. For example, it might be logical to use a larger proportion of television for The So-

ciable and Sensory Groups, while 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 Rational Segments longer commercials—perhaps 60-second commercials—would be indicated, while for the other two groups shorter commercials and higher frequency would be desirable.

Of course, 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 Table 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 Worrier Group, and gleaming white for The Sociable Segment 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 which are most likely to be effective for any given market target.

Generalizations from Benefit Segmentation Studies

A number of generalizations are possible on the basis of the major benefit segmentation studies which 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 which 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 disproportionately 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 which is seeking exactly 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 which 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 his 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 which 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 Uncovered Through Benefit Segmentation Studies

It is difficult to generalize about the types of segments which are apt to be discovered 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. Among them are the following:

The Status Seeker	... a group which is very much concerned with the prestige of the brands purchased.	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.
The Swinger	... a group which tries to be modern and up to date in all of its activities. Brand choices reflect this orientation.	
The Conservative	... a group which prefers to stick to large successful companies and popular brands.	
The Rational Man	... a group which looks for benefits such as economy, value, durability, etc.	
The Inner-directed Man	... a group which is especially concerned with self-concept. Members consider themselves to have a sense of humor, to be independent and/or honest.	
The Hedonist	... a group which 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

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 cited earlier, 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 sub-groups. 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.

MARKETING MEMO

A difference between managers and scientists . . .

A basic controversy revolves around the question of problem vs. technique orientation. In the extreme, managers are interested in problem solving regardless of technique, and scientists are interested in sophistication of method regardless of applicability. Yet the question of pure vs. applied research is really one of degree rather than kind, and these designations are really related to long- and short-term considerations. However, overemphasis on pure research and technique development rather than problem solving has resulted in low yield from investments in management science. The percentage of recommendations that eventually affect operations has been miserably low.

—James E. Rosenzweig, "Managers and Management Scientists (Two Cultures)," *Business Horizons*, Vol. 10 (Fall, 1967), pp. 79-86, at pages 79, and 80.