

**Nature:**



# Introduction to segmentation

November 1st 2018

COMMERCIAL IN CONFIDENCE

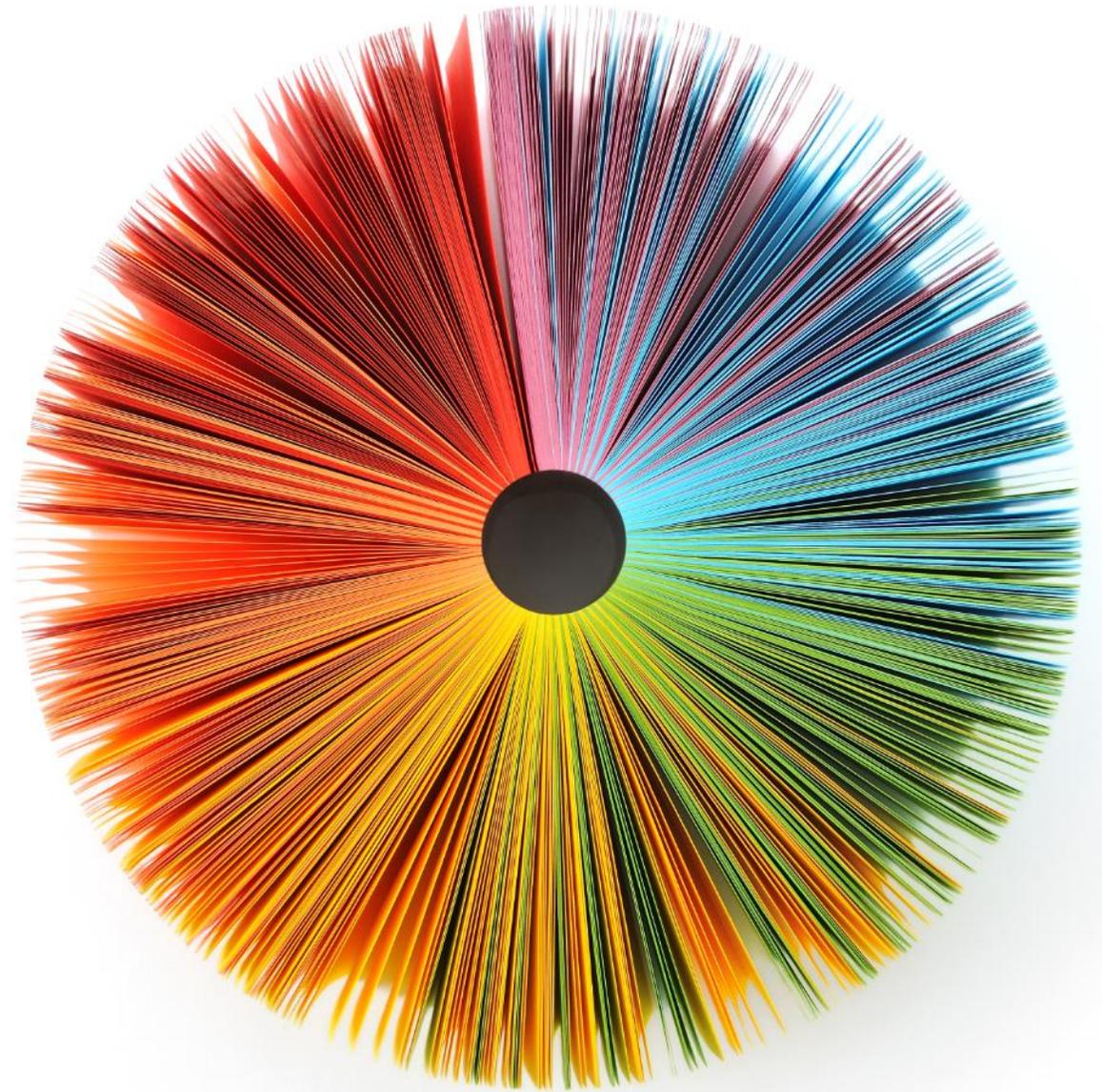


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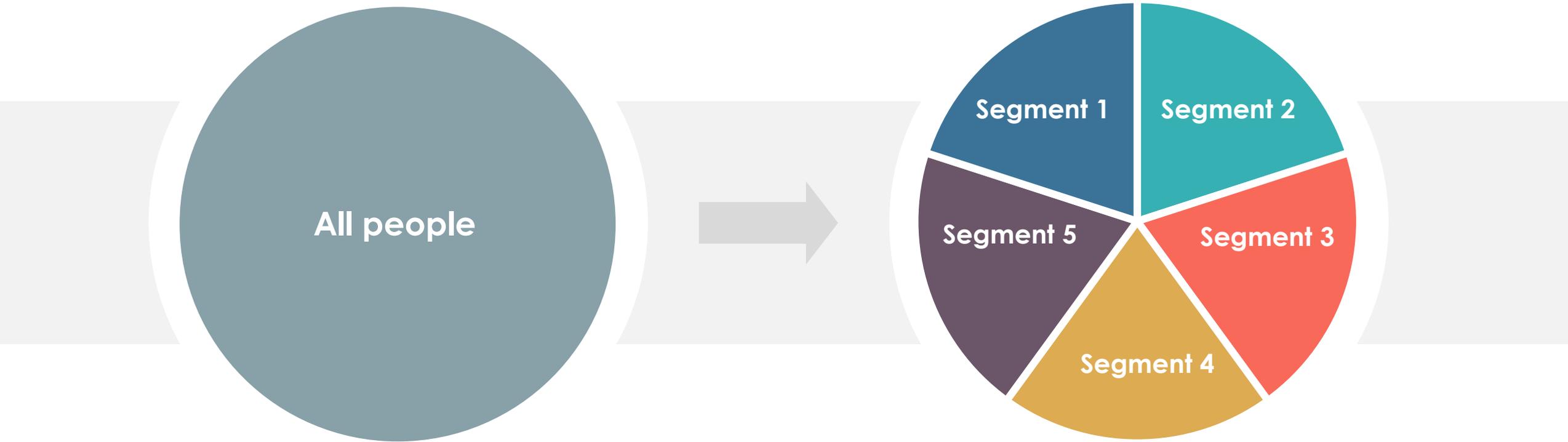


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What is a Segmentation?



The objective of any segmentation study is to move from treating all people as one, to identifying groups of people with shared characteristics...





**Perhaps the single most important thing in segmentation is to define the segments in such a way as they discriminate on the behaviour you are trying to influence**

Implicit in this is the need to be clear on why we are seeking to segment in the first place...

For example, an FMCG client is ultimately most interested in sales volumes, but also ...



**How to align its brand portfolio /products with different segments**



**How to align brand strategy to a segmented market**

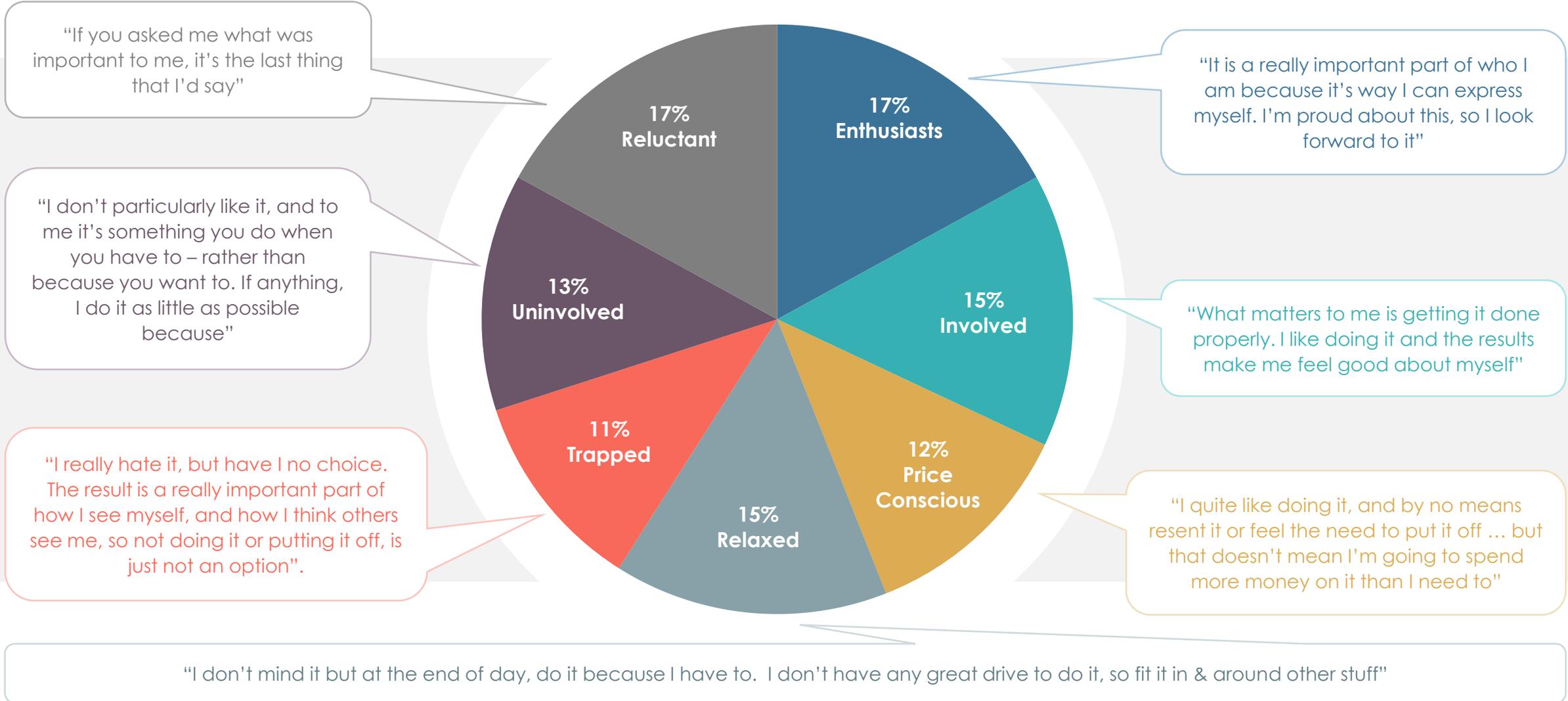


**How to communicate with target segments – positioning, messaging, channel, etc.**



In a recent study we did on an FMCG category, we found that demographics had little relationship with purchase frequency and volume. Instead, it was much more to do with an individual's attitudes, needs and preferences in relation to the category ...

# Example FMCG attitudinal segmentation



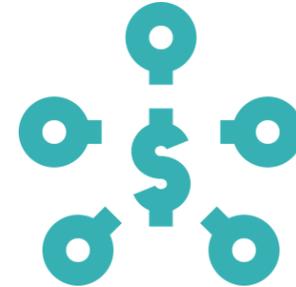
Stepping back, the first thing to get right with any segmentation is to start with the end in mind



## What is the intended role of the segmentation?

Is it for strategic use?  
E.g. brand strategy development, product development, cultural transformation

Is it for tactical use?  
E.g. targeted communications / offer development, targeted media buying



## Who are the stakeholder groups?

Is there a desire for it to live on a database if it exists?

How are we going to ensure it is embedded in the organisation and drives action?

1. When there is a desire to drive an ethos of **customer centricity**
2. To **focus an organisation on priority targets** and help achieve clarity of purpose
3. To **inform brand strategy**
4. To **design** products and services **to meet customer needs and preferences**
5. To **inform how best to communicate** with a target market
6. To **buy media more efficiently**

# There are different types of segmentation



Segmentation based on **readily observable** data such as **demographics** or known traits of individuals based on an organisation's database (i.e. behavior or usage)



Segmentation based on **values** or the **attitudinal** characteristics of an audience. Therefore not based on readily observable traits and thus requires a survey sample



**Occasion / needs-based** segmentation can be thought of as a variant on attitudinal, in that it's getting at what underlies behaviour – why people do what they do

- Typically easier to do, and action
- But often does not get to the underlying cause of the behaviour we are trying to influence

**Examples:** transactional banking data, household energy usage

- Provides powerful insights into the market given that it focuses on attitudes

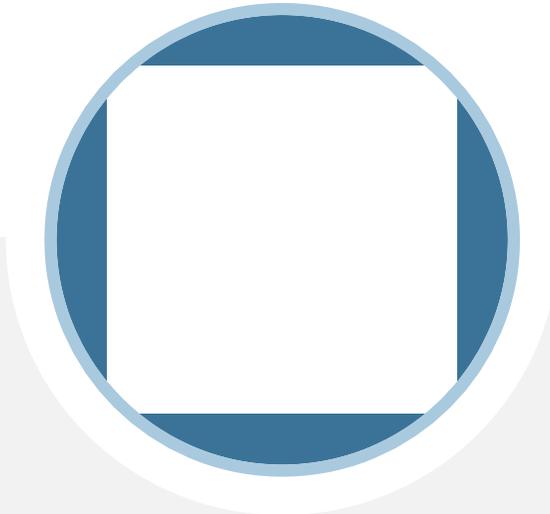
**Examples:** attitudes toward energy usage & environment, privacy, health, public transport, education, sport, technology

- Appropriate in categories in which behaviour varies as a function of consumption occasion or where we want to understand underlying need states

**Examples:** motivations within usage occasions, underlying needs

Often a segmentation involves a combination of attitudes, behaviours and needs

**Purely behavioural / demographic**



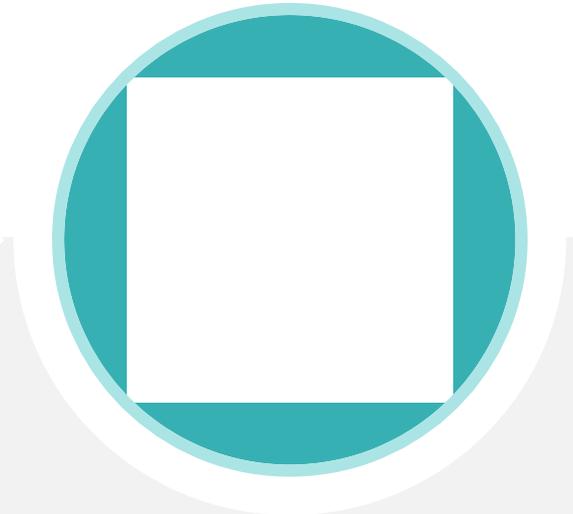
**Highly actionable, low insight into market**



**Optimum Zone**



**Purely attitudinal / needs based**



**Highly strategic, difficult to action**

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## Building a segmentation



# Steps involved in building a segmentation

Developing a segmentation is an iterative process requiring client involvement at each stage to provide an optimal solution for the client



## STAGE 1

Lay foundations

### Kick off workshop

Set the direction for the engagement, create a solid foundation to build from

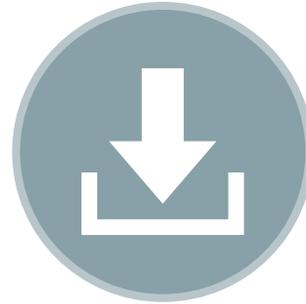


## STAGE 2

Explore

### Qualitative

Deep dive into the attitudes, motivations and needs of the target audience



## STAGE 3

Collect

### Quantitative

Create and size the different segments



## STAGE 4

Develop

### Tailor

Develop a fit to purpose segmentation



## STAGE 5

Deliver

### Bring findings to life

Equip the client with the right knowledge to inform decision-making

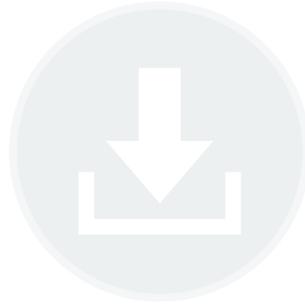


## STAGE 6

Activate

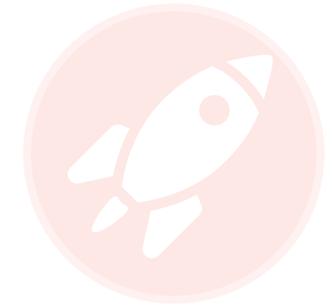
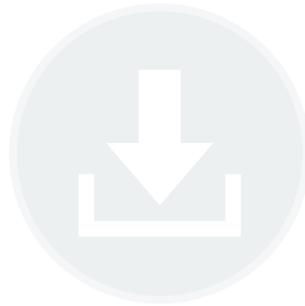
### Embed findings

Ensure the segmentation lives on and becomes part of the vernacular



### A kick off workshop...

- To ensure **all parties are on the same page** regarding project goals
- To **gain full visibility** of all pertinent organisational issues of bearing on the research
- To **ensure buy-in** of all key stakeholders from the start
- To **develop hypothetical archetypes/segments** that characterise groups of people sharing similar attitudes/values that will **feed into thinking on the segmentation approach**



Qualitative exploration ...is an essential part of the segmentation development process

### Method

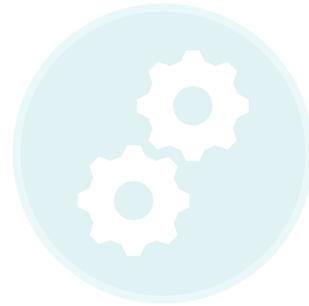
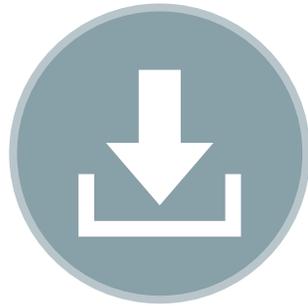
The method varies - typically a combination of in depth interviews, focus groups and online qual for greater depth of insight

### Objective

Deep dive into market dynamics and identify an exhaustive set of dimensions which underpin motivations, attitudes, needs & preferences

### Outputs

Key dimensions that pull our audience apart  
+  
Initial archetypes /segments to validate and size in the quant (stage 3)



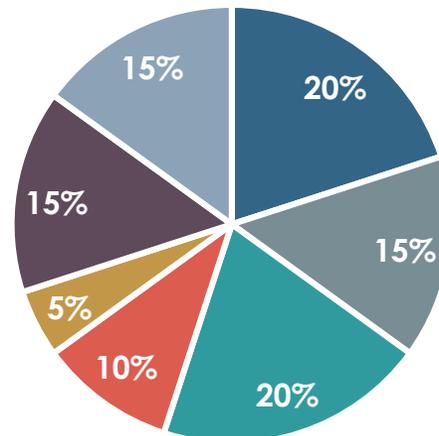
We quantify the dimensions identified by the qualitative, within the target audience (typically whole of market)

### Method

Typically...

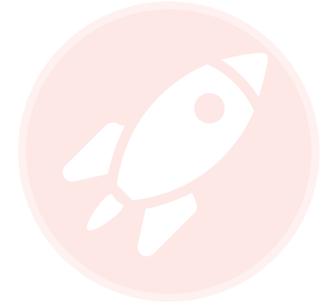
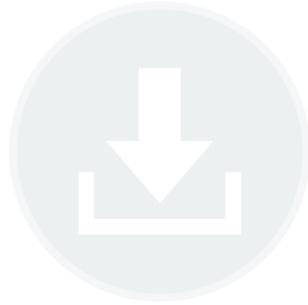
- 20 minute online survey
- Sample of n=1000+
- Broadly target market or population
- Can involve a separate sample of customers, drawn from the client's database, to enable modelling back to the data

### Segment sizes



### Allows us to

- Screen on the basis of more targeted criteria
- Develop market projectable segments that represent market size value and future potential
- Develop a segment allocation tool that can be applied across other research projects

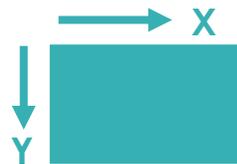


The (usually iterative) process for landing on a segmentation solution



STEP ONE

**Wage battle with the data**  
Build the dataset, test hypotheses, analyse



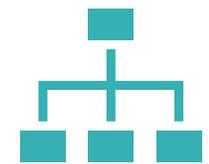
STEP TWO

**Discuss and agree on the dimensions** of the segmentation



STEP THREE

We'll investigate different **versions of the segmentation**, and share these with the client



STEP FOUR

**Roll out this approach and build insights** around the segmentation solution



## A comprehensive set of deliverables

### High level market context

Setting the current challenge, quantifying and investigating the market we are playing in

### Prioritisation / strategy chapters

Segment prioritisation (overall and by category) and how to win with each segment in the short, medium and long term

### Executive-level segment summary

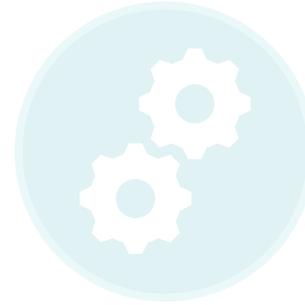
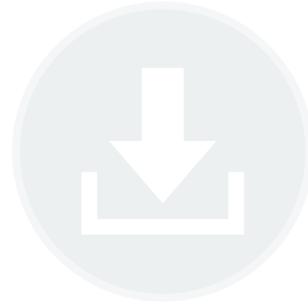
Who they are and what their current and future potential value is

### Segment deep-dive chapters

A 'chapter' within each report dedicated to a given segment

### Database attribution

Modelling segments back to the client's database



Working with clients to activate and embed the segmentation in the organisation

Large format posters and 'Insights & Ideas' walls

Desktop devices to leave on desks

Custom-built intranet site

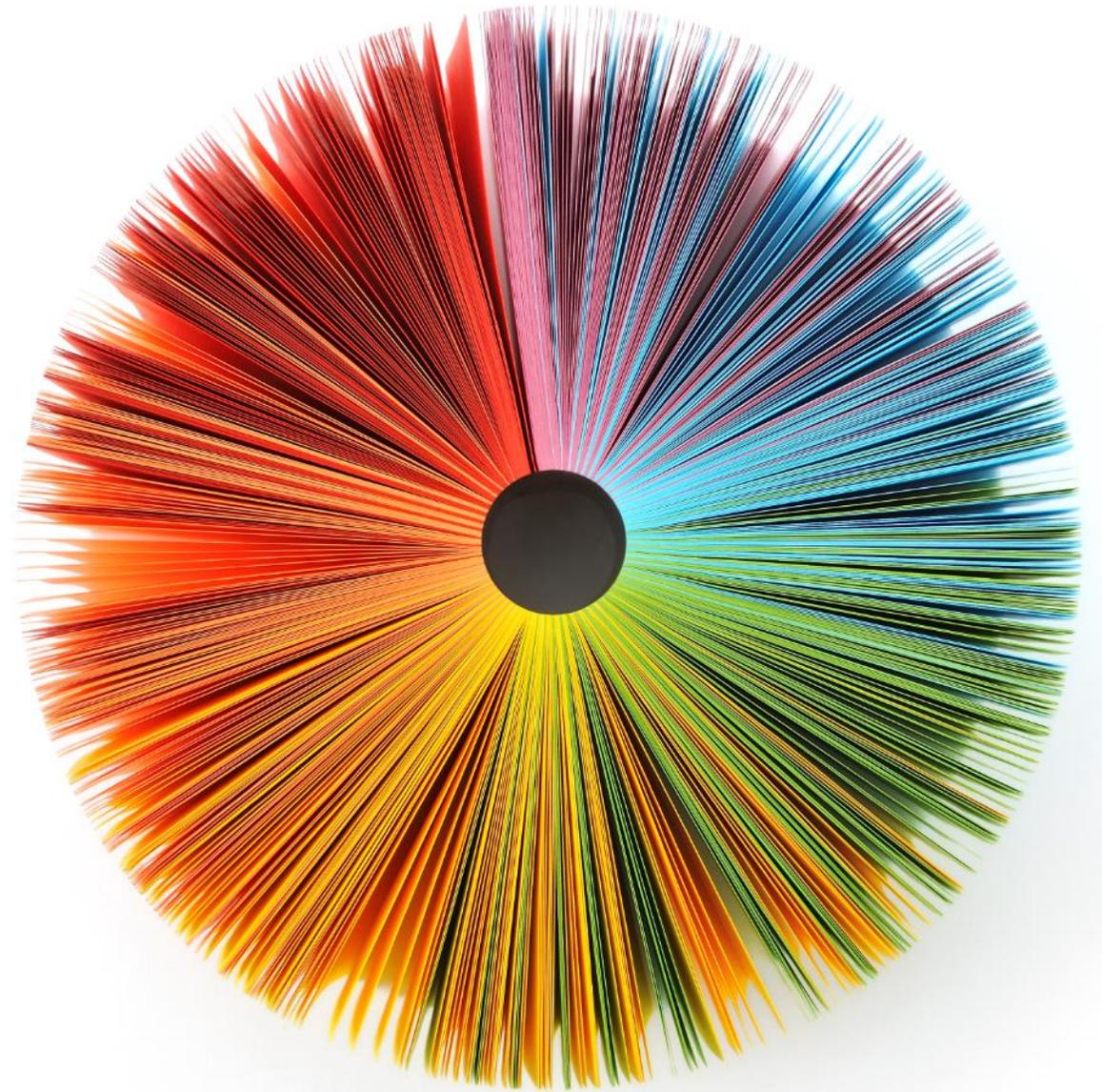
Visually stunning dashboard to access the data

'Social media profiles'

**Nature:**



## Case Study





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**Qualitative**



1. Cultural **semiotic analysis** and **expert interviews** to gather segmentation inputs
2. **Focus groups** with the segments uncovered in the Quantitative study, to flesh out their motivations and add richness to their profiles

## The Approach

We (Nature & The Lab) took an innovative approach, using cultural insights to guide segmentation build and actionability

**Nature:**



**Quantitative**

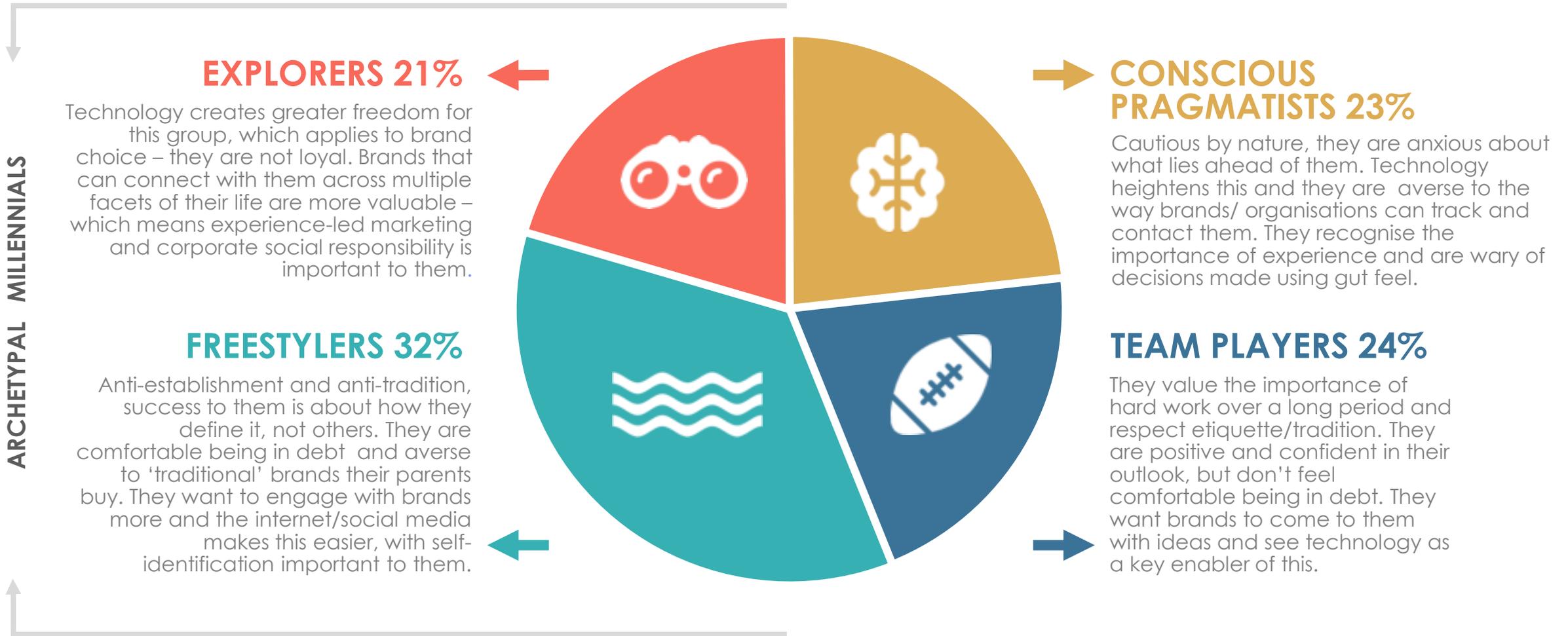


1. Initial explorative Quantitative approach to segment the generation and size them in the population
2. Secondary Quantitative study to profile segment behaviour across different categories, including tech, FMCG, travel, services, education and employment

**Nature:**

This is an example of how we have developed a customised segmentation to better guide marketing efforts

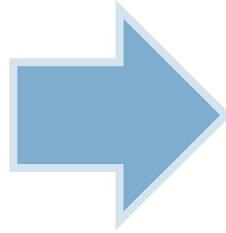
We uncovered 4 distinct attitudinal segments of which only two resemble the 'archetype Millennial' so often prescribed



This was an example of how our segmentations can help clients better understand, size & prioritise growth opportunities

**Age (within the Millennial band) was not found to be a key determinant of segment...**

**...a Millennial at the upper end of the cohort (i.e. 34 year old) was just as likely to be a 'Freestyler' as someone on the Gen Z cusp**



**Our profiling showed our segment model to be a better predictor of category behaviour than just age (in food, alcohol, services, travel etc.)**



For more information please visit [www.natureresearch.com.au/2017/11/definitive-millennials-guide/](http://www.natureresearch.com.au/2017/11/definitive-millennials-guide/)



# Nature:

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