



...real time CRM

Segmentation



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Linking segmentation to strategy...

- How can be a competitive advantage defined?
 - Competitive advantage:
 - „early identification of long enough, stable trends in a given market and turning them into sustainable profit“
 - the trends are widely defined by changes in customer needs, behavior and their dynamics
 - business is gaining competitive advantage via „customer oriented, centric“ strategy
 - changes and their size and value for further business exploitation is to be defined by segmentation techniques

Linking segmentation to strategy...

- **Competitive advantage comes from three basic roots**
 - superior resources
 - superior skills
 - superior position
- **Successful and profitable competitive strategy involves**
 - cost leadership
 - product differentiation
 - specialization by focusing on a particular market segment
- **Value based strategy – increased role of segmentation**

Value based management

- Company goal is to find, develop and deliver customer value
- Perceived value by the customer is subjective and unique combination of rational and emotional “matching”
- The value is defined by his socio-demographic “background”, life-cycle stage, past experience and level of knowledge about the category and brand
- Perceived value is highly determined by purchase motivation of each particular customer, by his “motivation gradient” and expectations

Value based loyalty

- In case of measuring failure in creating satisfaction in certain needs is crucial to realise not only who reacted but also who did negatively or not at all
- The level of non reaction is precisely the indicator of the brand ability to satisfy customers with lower affinity towards the particular brand - biggest growth potential
- Only this never ending measurement of the ability of the brand to create and deliver value to the customer can suggest the “loyalty potential” of the brand and its development

Identifying the expected value

- Via combination of quantitative and qualitative customer data capture and analysis
 - Quantitative
 - Monitoring character of the transactions, place, value, distribution channel selection
 - Qualitative
 - With any personal contact or interaction
 - With qualitative marketing research techniques - focus group, in-depth interview etc.

Reaching the expected value through segmentation

- How to identify opportunities for profit making in value based management
 - monitor differentiation in value perception with separate customer segments or profiles
 - identify common shared values across the segment
 - find values which are built on strength of the brand
 - further to explore among those the values which are unique
 - consider reach of the selected segments through accessible distribution channels - branches, telemarketing, Internet
 - consider profitability of the selected segments

Role of segmentation

- Segmentation and segments definition is crucial for
 - customer value identification
 - customer value proposition design
 - different touch point treatments
 - linkage of customers, products & services, and distribution or communication channels – process management
- ...in marketing planning based on CRM?
 - it says where to invest marketing budget for maximum revenue
 - thanks to higher response to offer which better fits the customer needs because of detailed knowledge of his profile

Segments defined

- Division of 'amorphous' customer base
- Common set of attributes which serve to identify the group - demographics, lifestyle, product holdings, usage, etc.
- „Large“ enough to be strategically important
- Similarities greater than differences
- Require separate marketing approach

Segment size

- How big the segments need to be?
 - to be effective
 - to be efficient
 - the only decision criteria is the profit potential of the particular segment identified
 - if there is enough profit (high margin/low volume) the segments can become small

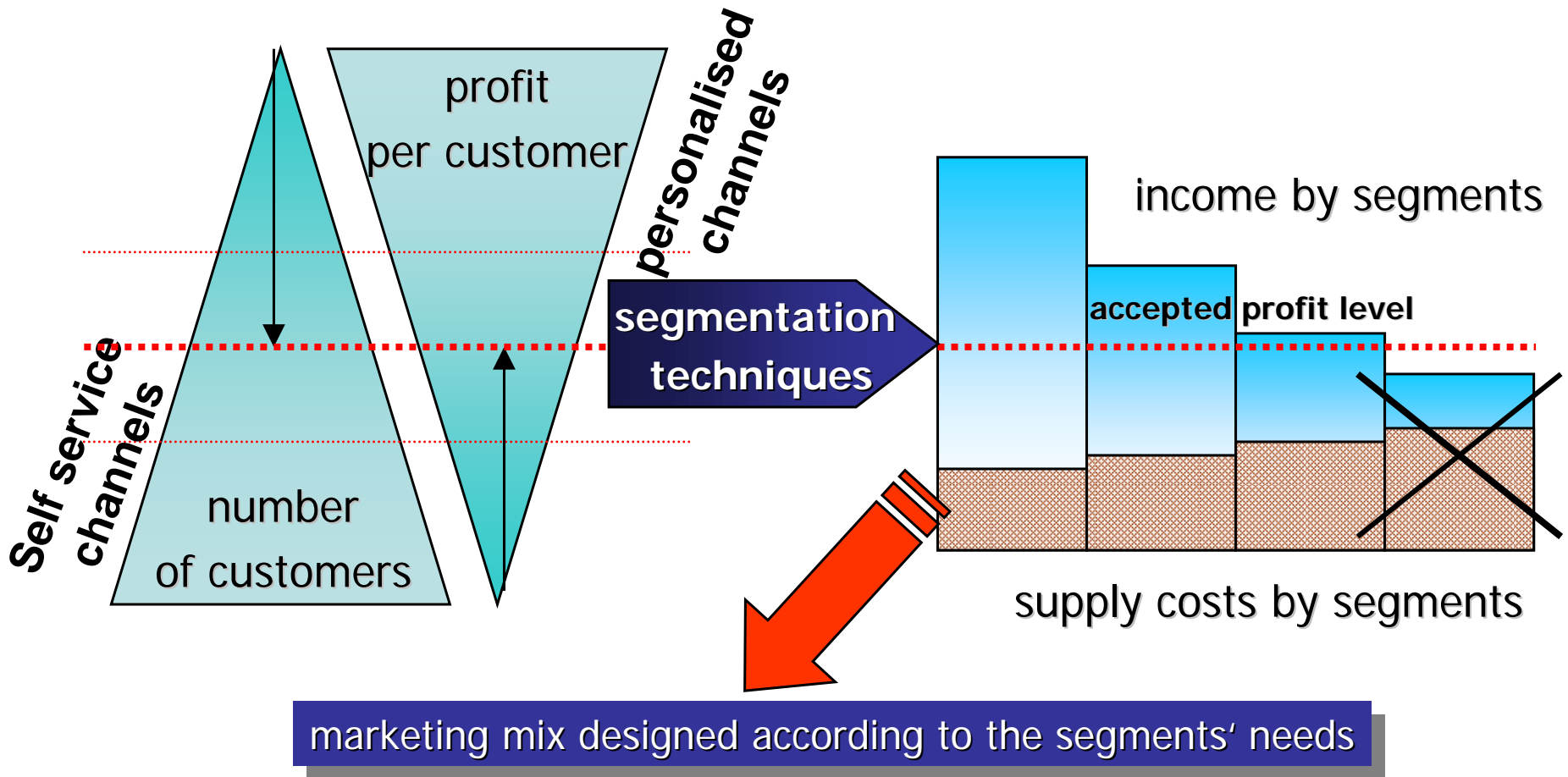
segment of ONE

- personal agent, e-CRM – personalised e-channels services

First steps in segmentation

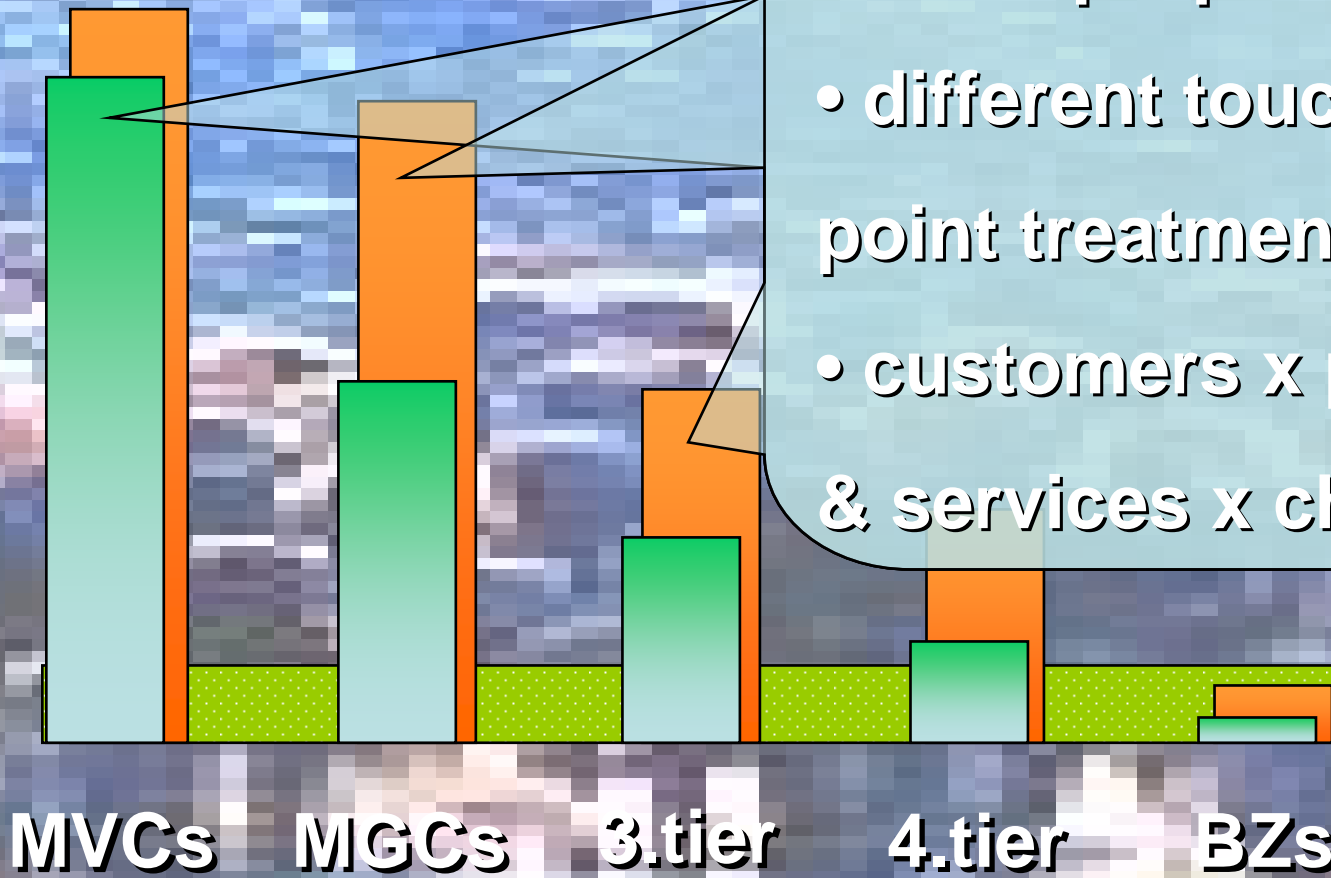
- How can we segment the customers?
 - based on actual profitability
 - based on future profitability
 - based on overall profitability – LTV, CLC
- Analysis of trends in profitability segments will highlight key issues to address
- Specific key issues will drive need for analyses/segmentation on other dimensions eg:
 - more cost-effective channels for "low-profit" customers
 - product propensity models for cross-sales

Profitability segmentation



Segments profiling

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- value proposition
- different touch point treatments
- customers x products & services x channels

Next steps in segmentation

- To determine basic social, geo-demographic profile
- To determine basic transactional behaviour of the customer
- Psychographical and behavioral profile
 - for example preferred benefits, product U&A
 - behavioural segmentation based on probability + certain reaction to a product or service
 - more...

Segment dimensions

- **Geographic**
 - residence, size of residence, density of population
- **Social-demographic**
 - gender, nationality, age, family status, number of people in household, education, employment, income, life cycle stage
- **Psychographic**
 - customer personality, life style, value chain, social group status
- **Behavioral**
 - propensity to buy, certain reaction to a product or service
 - personal benefits, motivation
 - consumption mode – frequency, quantity, quality requirements
 - satisfaction, expectation, loyalty levels & behavior
- **Time, needs, ...**

Segmentation for action

- Selection of the target segments
 - criteria should be based on
 - strategic goals of the company
 - or tactical goals
 - or operational goals
 - what could be the priorities in certain segments?
 - according to highest impact on particular company performance criterium, most often highest profit or ROI
 - what timing to be used?
 - the impulse for start of the campaign can be event initiated by the customer which shows real need for certain product or services

Segmentation goals overview

Strategic

Customer Segments

Alternative Offers

Positioning

Co-Branding

Customer Profiling

Customer Targeting

Tactical

Customer Group

Entry Costs

Offer Enlargement

Acquisition

Cross-selling

Up-selling

Retention

Operational

Individual

Inbound Calls

Outbound Calls
(retain / develop)

Welcome Calls

Expiration Calls

Credit Checks

Exit Calls