EMERGE SMARTER
eBOOK INSIGHTS

A Primer to Understanding Segmentation Research

Your prospects and customers are not all the same—learn how segmentation research can help guide your targeting and messaging strategies.

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We all know that products and services can't be sold to everyone. To market effectively, you must identify the specific groups of people who will find your product or service to be most meaningful. Segmentation research can identify how people differ in their attitudes, needs, and motivations so that your company can create an effective portfolio of brands and tailor marketing communications that appeal to different groups.

C+R's experience with segmentation goes back decades, when one of our founding partners, Stephen Turner, was among the first researchers to conceptualize and pioneer "occasion-based" segmentation. At the time, this was a major advancement in segmentation methodology which recognized that people's attitudes, needs, and behaviors are not fixed, but can vary depending on the situation.

Segmentations can run the gamut for complexity and the amount of advanced analytics required:

- Some segmentations are very straightforward (i.e., as segmenting people based on which generation they are in or what ethnicity they are); for cases like these, advanced analytics is not needed—**cross-tabulated data is used**.
- In other cases, segmentations can be created with simple advanced analytics. That is, if you have an Attitude & Usage (A&U) study, chances are you have the inputs from this type of survey to develop a simple segmentation. For example, using **attitudinal data** (attitudes toward a category, lifestyle/values, etc.) **and doing a cluster analysis**, you can come up with a segmentation based on these attitudes. Other data in the survey can be used to help profile who each of the segments are.
- Often, segmentations can be more all-encompassing (and the sole purpose of the study), requiring an iterative process with **advanced analytics** taking a prominent role; **this is the type of segmentation that we cover in this eBook.**

This eBook provides the steps and processes we found to be beneficial when designing, analyzing, and sharing the results within your organization. To some, the steps can be intimidating; but, use these steps as a guide to help you pick which ones make sense for your objectives and organization. This eBook provides best practices of what's worked well for our clients over the years.

Overall, we believe that segmentation research must be purpose-built and customized for every product category, and that the design and analyses require an investigative and iterative approach. A great segmentation has many purposes, including identifying new growth opportunities and refining or expanding your brand's target or market share more effectively, among others.

AN OVERVIEW OF DIFFERENT SEGMENTATIONS

Based on your objectives, here are a few different segmentation solutions:

- Attitudinal
- Occasion-Based
- Needs-Based
- Jobs To Be Done
- Micro/Macro Category
- Marrying Behavior with Attitudes
- Shopper

HERE'S A DESCRIPTION OF A FEW TYPES

- **Attitudinal Segmentation** groups people with similar attitudes. The segments are profiled with other variables (such as demographics, general category behaviors, brand perceptions, media consumption, etc.) so that specific targeting and messaging strategies can be developed against priority segments.
- **Occasion-Based Segmentation** identifies opportunities for growth based on the occasion when the product or service is used. In many categories, the same consumer can experience a wide variety of needs (or jobs to be done), based on the situation. The situations are then profiled to bring them to life. This type of segmentation is useful for identifying white space or innovation strategies.
- **Marrying Actual Behavior with Attitudes** is when transactional data is merged with attitudinal data to create unique segments. At C+R Research, we have a proprietary framework called **Dollars + Attitudes**® that marries behaviors with attitudes. Our partnership with Numerator (formerly InfoScout and Market Track) and having access to their OmniPanel™ (a representative sample of American shoppers and their receipt-based purchase information) gives us the ability to provide this to our clients.

  Using robust purchase data that has already been collected through receipt capture, we examine the category of interest for obvious purchase patterns. We then create a set of behavioral segments based on how consumers buy the category.

  Next, we field a survey that focuses on collecting attitudinal data from the same consumers for whom we already know their purchase behavior—the same panelists that we used for our first-step analysis. We already know what consumers are buying, when, how much, and from where. We simply use the survey to add attitudinal measures: category and brand perceptions, motivations, barriers, priorities, and lifestyle characteristics to obtain the complete picture.

  Learn how we partnered with the National Pork Board for a comprehensive Pork Demand Landscape research initiative using our Dollars + Attitudes® framework.

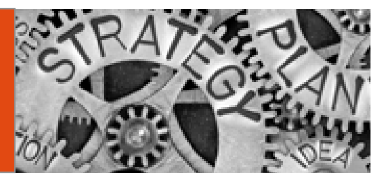
GETTING STARTED | WHAT'S THE RIGHT SEGMENTATION TO USE?

As with other custom research, one size does not fit all, and the segmentation should be designed based on what you are looking to accomplish. For example, each of our client situations is unique, so our recommended solution is really based on getting to know their business intimately and understanding how they intend to use the segmentation.

No matter which segmentation approach is decided upon, based on our years of conducting segmentation research, we have developed best practices and processes so that our clients achieve the maximum return on their segmentation investment. This process entails the following four phases, with detailed steps under each phase that we will address in this eBook.

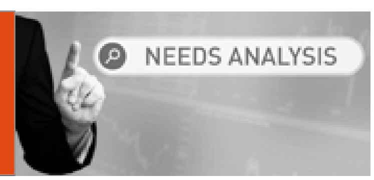
Our Recommended Approach

1 **Sharing, Planning, Aligning**

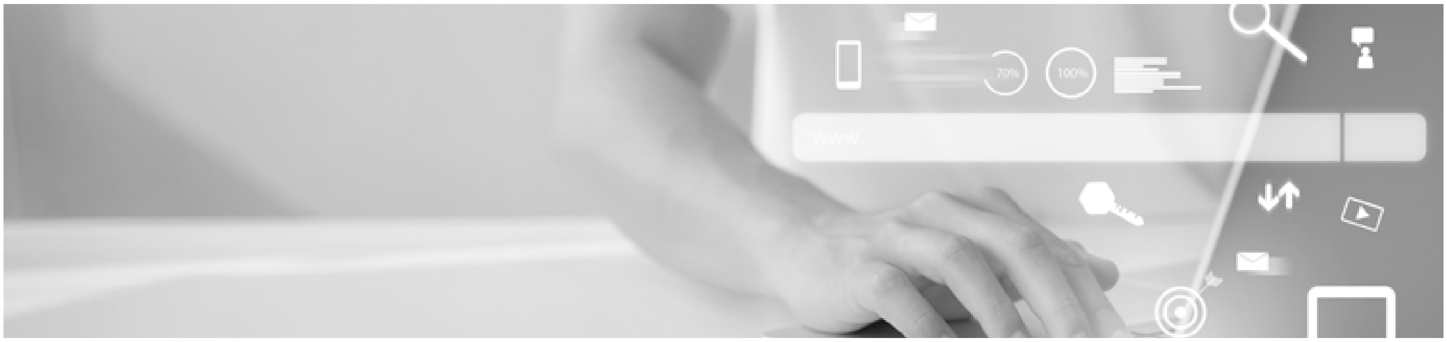


2 **Building Empathic Insights around Needs**

3 **Evaluating Need States for Opportunities**



4 **Sharing Results and Crafting Strategy**



Phase 1: Sharing, Planning and Aligning

Stakeholder Interviews and Kickoff Meeting

We know that segmentation studies often involve a significant investment from clients' budgets, and there tend to be many stakeholders involved who bring different needs, perspectives, and knowledge to the table. That's why up-front planning is crucial for any segmentation study to be a success, oftentimes starting with a series of in-depth, one-on-one interviews with key internal stakeholders. These interviews provide a unique, internal perspective as to where the market is today and where it's going, and point to key questions to explore in the research and what success looks like to each stakeholder. Importantly, this phase offers the ability to genuinely engage stake-holders around the research and get their active buy-in moving forward.

The debrief of the stakeholder interviews can be used as the foundation for the "kickoff meeting" with all stakeholders. The kickoff meeting is a structured discussion to build on what was learned in the stakeholder interviews, share surface additional knowledge, and ensure both group and individual objectives are disclosed and agreed upon. During the kick-off meeting, it is not uncommon for us to present additional information that clients may find useful, such as trends on the category, perspective from a specific cohort (such as Hispanics), or even the impact of COVID-19 on consumers' attitudes and behaviors.

After the kickoff meeting, the research begins!

Phase 2: Building Empathetic Insights Around Needs

Qualitative Research

Starting the segmentation study with a qualitative phase is beneficial to understand the target, their lifestyles, attitudes, motivations, occasions, brand perceptions, etc. in order to address any gaps in knowledge. This can be done via focus groups, online discussions, or any type of in-context methods such as in-home ethnographies, shop-alongs, etc. This phase is especially critical to inform the development of the quantitative phase—for developing hypotheses and the survey instrument. In many instances, we can also use quotes and videos from this phase to help bring segments to life once the quantitative phase is complete. The following outlines a process for the qualitative phase.

- **Understand Consumers and their POV on the Category**
  - Explore the lives of the target consumers/customers and their values, lifestyles, etc.
  - Understand attitudes toward the category at a macro level and how different products/brands fit within that wider category.
- **Identify Motivations + Jobs + Perceptions**
  - Understand needs and behaviors across occasions.
  - Identify jobs fulfilled by certain products/brands used within the category.
  - Explore the decision process and brand perceptions to uncover identities, drivers, and barriers to the client's brand and their competitive set.
- **Develop Hypotheses + Update Relevant Language**
  - The qualitative phase will help us build language around perceptions, motivations, and jobs. In many cases, we will also bring in our Cohort Experts (such as CultureBeat® and Youth & Family) to ensure that we are meeting the needs of multicultural consumers, for example. It will also provide initial framework that can be validated in the quantitative phase.

Phase 3: Evaluating Need States for Opportunities

This phase tends to be the most extensive because it involves everything from sample design to questionnaire development to segment creation/modeling.

Survey Length and Sample Size

Now that we have qualitative insights under our belts, with hypotheses developed, we are ready to start developing the questionnaire. Given the amount of information usually collected in a segmentation study, the questionnaire length can run at least 20 minutes. If the survey gets too long (over 30 minutes), consider breaking the survey up into modules and have respondents complete them at different times.

When it comes to sample, we always get asked, "how big of a sample size do I need for a segmentation?" One size doesn't fit all for this type of question, but some guidelines that we tell our clients is that for the core sample (representing the primary audience, usually the category of focus), we say at least 1,000 interviews and consider boosting interviews for any key audiences of interest, such as brand users, generational groups, demographic audiences, etc. We also consider how many brands or categories we are exploring, as well as how deeply we need to analyze each segment.
Another good rule of thumb is the more diverse the target/audience is in their attitudes and usage behaviors, the larger the sample needed.

Pilot Study

Since segmentation studies include many attribute lists (e.g., attitudes, needs, motivations, and values) and are usually quite expansive (which can lead to respondent fatigue), we find that running a pilot study is a great way to develop an efficient survey instrument with minimal redundancy and thus providing meaningful attributes. It's not uncommon for us to start with over 100 attributes to narrow down to 30 to 50 highly differentiating and impactful attributes. This is done by using factor analysis, where we identify meaningful/distinct attributes. For example, we look for attributes that yield variation (if everyone agrees to a statement, that's a good candidate to remove), as well as those attributes that are seen as redundant—also candidates to remove. In the pilot study, we also try to include a dependent variable (such as consideration) to identify attributes most likely to drive decision-making. Those that do not impact decision-making do not need to be included in the survey.

You have the Data Collected. Now What?

Once the data is collected, there are steps taken to ensure that an effective segmentation is created. This involves data preparation, choice of appropriate segmentation analytics for the data collected (and goals), and diagnosis of the solutions. This is where Advanced Analytics is key in guiding which segmentation solution is the right one to use, along with segment diagnosis.

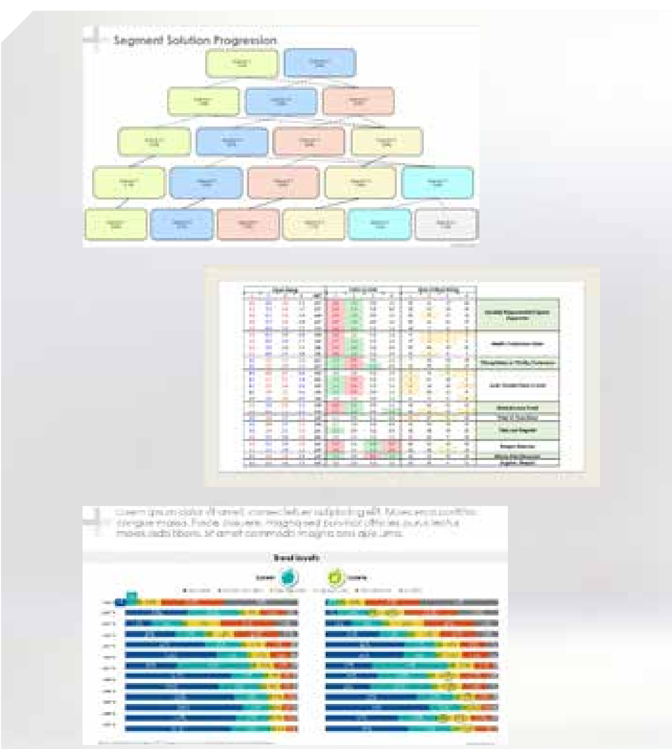
- **Data Preparation**
  - **Remove poor quality data:** respondents who answer with low-variability or inconsistent answers.
  - **Control for scale-use bias:** Because respondents use scales differently, it's essential to take steps to control for that bias so that data is standardized across cases. Solutions involve either normalizing scale data or using scale measurements that avoid scale bias, such as Max-Diff utilities.
- **Segmentation analytics** are chosen based on the type(s) of data used in the segmentation: categorical, binary, scaled, ranked, choice-based utilities, metric (such as counts or spend), or a mix of measures. Some examples include:
  - **Ensemble clustering:** which uses several different algorithms to run hundreds of solutions, then aggregate the results into the most reproducible segments.
  - **Latent class:** appropriate for clustering with variables of many different data types.
  - **K-means:** a basic clustering method used on variables with equal variance.
  - **Hierarchical:** applied to market structure studies to build taxonomies of products.
- **Segmentation Validation** is a step to ensure that the analytic solutions provide stable and accurate classification into segments.
  - **Information criteria:** Akaike and Bayesian Information Criterion allows for direct model comparison to maximize likelihood while minimizing the overlapping that might occur with many segments.
  - **Split-half validation:** Predict half of the cases out of sample using solution on the other half.
  - **Reproducibility:** Test the ability of the solution to classify future cases into the existing model.

Which Segmentation Solution is Right?

There's art and science involved in developing the right segmentation solution; it starts by creating a wide number of solutions. These solutions are analyzed and profiled in order to assess the value of the different segmentation solutions. For example, we have a process of determining the value of each segment through sizing the segment and its contribution to the category, along with:

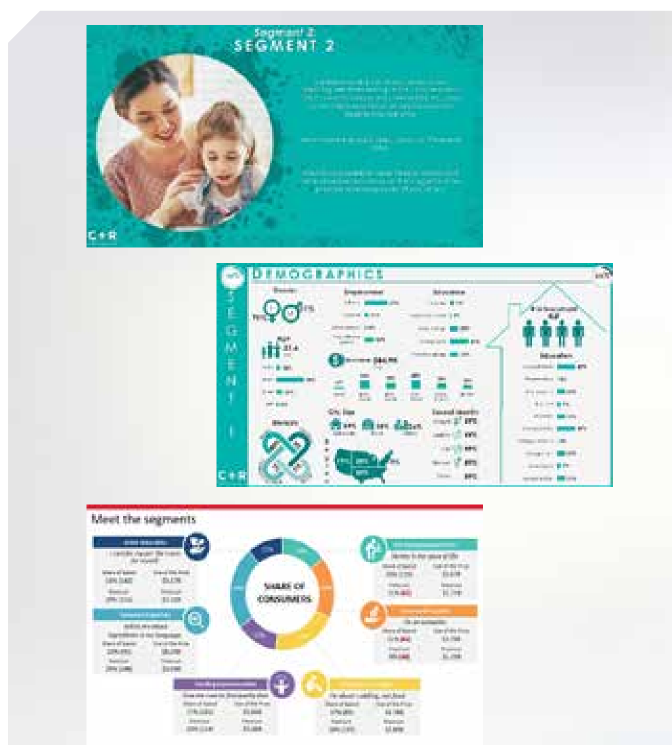
- Fit with the brand's current or desired position
- Fit with the brand's promise
- Attitudes and needs sought to be fulfilled
- Openness to something new/different or an early adopter
- Engagement in and loyalty to brands
- Psychographics and life values
- Approach to segment, why and how
- Etc.

At C+R Research, we generate deliverables that provide the client team with information and direction for aligning on solution(s) that can best drive their businesses forward. In our exhibits, we provide recommendations and reasoning behind the solutions we identify as most viable; however, final decisions are always made in conjunction with our clients. Here are some examples for the output for reviewing different segmentation solutions:



The Segmentation Solution is Final: Time to Tell the Story and Develop Personas

Once the segmentation solution is finalized, each segment will be profiled, sized, and prioritized for meeting the brand's objectives for growth. Personas are created so that segments are presented in a quick and easily digestible way for the stakeholders to understand everything about the segments. Following are some examples:



Creating a Typing Tool

The goal of any segmentation study is for the data to be "evergreen" within an organization, with the results lasting for several years. So that the segmentation lives on, a typing tool is created to classify respondents of new research activities into the existing segmentation scheme. The typing tool uses a subset of segmentation questions, rather than making every new respondent go through the entire segmentation survey. Different typing tools are often created for qualitative research (online discussions, focus groups, etc.) and quantitative research so that the data can be analyzed by segments.

Consistent usage of the typing tool ensures that the segmentation scheme remains alive and well in the future research activities of your organization.

Bringing the Segments to Life

We always encourage our clients to add one of the following methods for bringing the segments to life. Many times, we will involve C+R's Storyologists to connect our clients to the segments to build understanding and empathy. Some examples include:

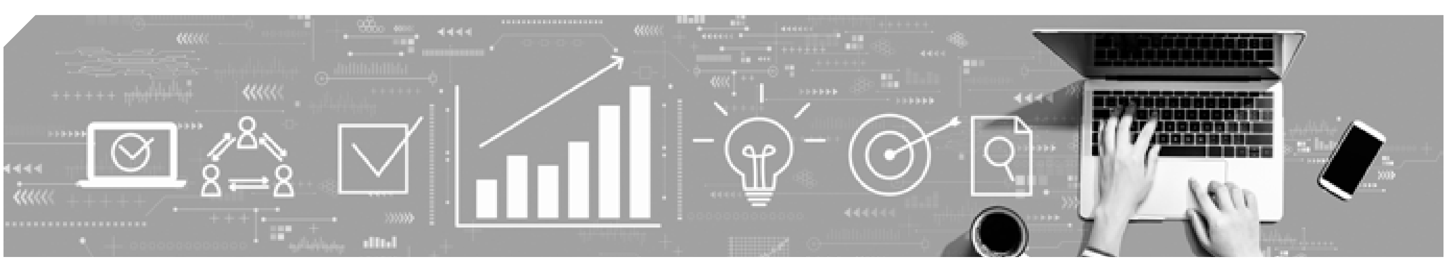
- **Video clips** that represent people from different segments—can be collected via online discussions, webcam interviews, or video platforms such as VoxPopMe.
- **Video Sizzle Reels**—can be created using video clips to capture key insights in a compelling way—either more artistically stylized or more ethnographic documentary style.
- **Look Books**—a tangible "book" to give to your stakeholders to use as a segment reference "bible."
- **Animated Videos**—these highlight the journeys/ consumer stories in a memorable way for staying power in your organization.
- **Social Media Profiles**—segments are presented similar to a social media profile.
- **Introducing Real Consumers to Represent Segments**—there are several ways to connect your stakeholders with "real consumers" for a deeper understanding of the segments:
  - **Panel discussion**—consumers sit on a panel and stakeholders ask questions.
  - **Speed Dating**—this is where stakeholders and people from key segments meet one on one and do a quick question and answer session; stakeholders rotate from person to person, each representing a different segment.
  - **Walk in Segment's Shoes**—this is where we take clients into the life of each segment such as in-homes where people prepare meals and the clients join the family for dinner or go on dine-alongs, etc.

Learn how we partnered with an alcoholic beverage client to develop a comprehensive occasion-based segmentation, including how we worked to bring segments to life.

Phase 4: Sharing Results and Crafting Strategy

The final stage of the segmentation study is to make the information digestible for your stakeholders. We find that an iterative process works very well, starting with a series of work sessions designed to infuse the learning into your organization. The work sessions should be done in a manner in which results can be understood, embraced, and acted upon. Most people find lots of numbers very boring, and tend to tune out, so be sure that the data is represented in a visually appealing and user-friendly manner. This is also where the "bringing segments to life" tactics can come into play.

After the work sessions are completed, a final presentation will follow, usually including a cross-functional client team to participate in a strategy development workshop—activating strategies and tactics against the key segments.



ACTIVATING THE SEGMENTS AS DIGITAL AUDIENCES

After the segments have been defined in the analysis, you can then create a targetable, digital audience for each of the segments. This is done by taking the members of your segments and using them as "seeds" for look-alike modeling against a wide variety of sources (can be millions of people included in the data sets). Once the audiences have been created, your marketing team/agency can use them to target digital ads or customize the digital experience using the standard tools, e.g., Google Ads, Facebook Ads, or any standard DMPs. Look for our upcoming blog that goes into greater detail on this process and its benefits.

IN CONCLUSION

Remember, segmentation methods continue to evolve, along with innovative and powerful ways of conducting and analyzing segmentation data. Segmentation research offers a wealth of insights, and addresses many strategies to grow your business, including:

- **Growth**
  - To drive sales by decreasing acquisition and retention costs, along with improving conversion
  - To support opportunity identification and prioritization
- **Segment Strategies**
  - To provide marketing and sales with a clear and concise playbook by segment
- **Communications + Positioning**
  - To identify the segments' needs and preferences, which can be communicated in advertising and positioning messaging
- **Trial + Loyalty**
  - To support and build consideration of and loyalty to your brand
  - To reduce or eliminate barriers to the brand
- **Conversion**
  - To create opportunities against high-value customers and likely-to-convert segments

Hopefully, this primer educated and inspired you on the "how to's" and benefits of segmentation research.

Next time you are thinking about conducting segmentation research, reach out and let's chat about the best way to design the research to ensure you get the most actionable results out of your segmentation investment.

Want to know more?

Visit **crresearch.com** to learn more on this subject and more information on our research offerings.

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