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# SLICE IT UP AND SERVE THEM

## TAKE A STEP-BY-STEP APPROACH TO BUILDING A SEGMENTATION STUDY

**GETTING THE MOST** out of your segmentation studies can be a minefield unless you know the proper steps to take to make it really effective. Take some advice from Ellen Veccia, senior vice president of Knowledge Network's Advanced Analytics & Consulting division. In a recent **American Marketing Association** Web seminar, "Applying Consumer Segmentation for Maximum Impact," held in late May, Veccia walked listeners through the five-step process to constructing a segmentation study that achieves maximum impact.

She explains that building is exactly what needs to be done to "construct the right solution." The segmentation must be assembled of an approach, a modeling technique and components or actual drivers of the solution that will directly affect the bottom line. And the approach should be solid, yet flexible to meet the user's needs, which requires careful thought and planning.

### Step 1: Pinpoint your goals.

The first step is to zero in on the goal at hand. Bring careful thinking and focus to what the segmentation seeks to accomplish, and plan carefully before starting the chase. Careful planning requires identification of users and their needs. To begin, clearly identify the key stakeholders and find out what part of their business performance goals are tied to the project. By understanding the stakeholders' needs, the right scope is developed, which directly feeds the design of the project.

"Rushing through the design phase and failing to gather the right internal inputs from the right constituents is one of the main reasons segmentations are not deemed actionable, because when all is said and done, if the stakeholders' needs are not satisfied, the segmentation falls short on supporting their business goals," Veccia says.

"Skipping the step of identifying users and their needs, even if everything else is done perfectly, runs the risk the product will be banished to a shelf and not actionable," Veccia adds.

### Step 2: Pinpoint your segments.

Critical to success, Veccia says, is aligning the input variables with the users' goals. Input variables refer to the elements that are actually submitted to the segmentation model. In most cases, developing segments that yield results requires a combination of both behaviors and attitudes. A one-dimensional approach can bring pitfalls, Veccia says, since no single dimension captures the information need.

"If we have just behavioral data, that will speak in detail to what consumers did, but it offers no clear insight into why they did it so it provides no information to

support messaging or positioning strategy. Attitudinal data can be very rich in motivators but falls short in tangible indicators of value. So driving the segmentation with a mix of underlying dimensions solves the potential for informational voids," she says.

The multidimensional approach allows flexibility to examine different types of data, and provides a way to feed that data into models. It helps identify targets by determining which variables are the most influential in forming the segment.

### Step 3: Select and accurately size your segments.

Determine the number and relative sizes of your segments. Have some criteria developed to help guide your selection. Criteria Veccia suggests focuses on fit statistics, differences between the segments and similarities within the segments, size distribution of segments and importantly, how meaningful the segments are from a marketing perspective.

Be sure to have reliable data based on a sampling technique that allows you to project to the population of interest. " 'Garbage in, garbage out' will always hold true. Even if your segments look good, if they're based on low-quality data, you may well encounter problems in trying to implement against them," Veccia says.

### Step 4: Identify and prioritize target segments.

Among the targets that have been identified, determine which is most important and why. "Prioritization requires really digging in," Veccia says. "You can't prioritize your segments without developing an understanding of each segment and what makes them tick. How do they differ from the total market? What attitudes stand out? What are the most critical benefits sought? How would we characterize individuals in each segment?"

### Step 5: Segmentation implementation and positioning strategies and messages.

Implementation can be a real challenge and it's another potential point of failure for segmentation studies. Find a way to bring them to life for those who are going to be actively targeting them and planning around them. Veccia suggests getting some

top-down influence within the organization with respect to the target segment.

"A good example that there's been some recent press around is Wal-Mart and how they are now prioritizing key target segments, and that's coming from the top down. The CMO is basically saying, 'This is how we will prioritize our marketing and our messaging and our focus on the consumer marketplace.' That kind of influence is absolutely priceless with regard to implementation," she says.

Workshops are best for developing positioning strategy and should be done with the core team, because these individuals best understand the design, sample and they can provide the best checks and balances against each other during this first stage of implementation. Make sure your strategies against the segments are defensible and based solidly on the way the research was executed, Veccia says.

Next, leverage the acquired deep understanding of the segment to start to bring them to life. Focus on the story within each segment and how that differs from the overall market. Do this by showing the key outstanding attitudes. Focus on their behaviors. And then start to brainstorm through your strategy for the segment.

Once strategy has been determined, have another workshop that encompasses the key stakeholders. Having stakeholders engage in interactive exercises helps them really dig in. A collage of pictures, for example, that captures each segment's essence can help start to build a relationship with the segment and help really bring it to life for the stakeholders.

Veccia says the keys to success are to really focus on the design stage with clear goals and an approach that will satisfy the business objectives. "Always remember 'garbage in, garbage out.' Be sure you're comfortable with the reliability and validity of your data. Use a modeling approach that brings some science to the table but also be ready to apply judgment. Don't forget the art part of it. And finally, workshop, workshop, workshop. Try to get top-down support once you have your amazing solution in-hand. And help drive that through the organization," she says. **m**

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