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To Boardrooms and Sustainability:
The Changing Nature of Segmentation

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This report is produced by the Henley Centre for Customer Management on behalf of its members.

About Lyndon Simkin, Professor of Strategic Marketing, Henley Business School

Lyndon has just joined Henley from Oxford Brookes, where he was Professor of Strategic Marketing and Research Lead. Before that, Lyndon was at Warwick Business School for over twenty years, where he helped launch and develop Warwick's MBA programme, and was Director of the Full-Time MBA and the MSc in Marketing and Strategy. Lyndon's research addresses strategy creation, target market strategy and planning, with a focus on helping practitioners smooth their execution. Lyndon is acknowledged as an expert in marketing planning processes, business planning and target market strategy development, including High Court litigation cases. He is a member of the Academy of Marketing's Research Committee, Associate Editor of the Journal of Marketing Management and co-chair of the Academy's special interest groups in CRM and Market Segmentation and Strategy. Lyndon mentors many CEOs and leadership teams. He has helped steer the strategies of BAe, Diageo, EDF, IBM, Fujitsu, IKEA NV, Lockheed Martin, Red Bull, Tilda and Willis, amongst others. Lyndon is author of many books, including the market leading Marketing: Concepts and Strategies, Marketing Planning and Market Segmentation Success.

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Executive summary

Market segmentation is the process by which customers in markets with some heterogeneity are grouped into smaller homogeneous segments of more 'similar' customers. A market segment is a group of individuals, groups or organisations sharing similar characteristics and buying behaviour that cause them to have relatively similar needs and purchasing behaviour. Segmentation is not a new concept: for six decades marketers have, in various guises, sought to break-down a market into sub-groups of users, each sharing common needs, buying behavior and marketing requirements. However, this approach to target market strategy development has been rejuvenated in the past few years. Various reasons account for this upsurge in the usage of segmentation, examination of which forms the focus of this white paper.

Ready access to data enables faster creation of a segmentation and the testing of propositions to take to market. 'Big data' has made the re-thinking of target market segments and value propositions inevitable, desirable, faster and more flexible. The resulting information has presented companies with more topical and consumer-generated insights than ever before. However, many marketers, analytics directors and leadership teams feel over-whelmed by the sheer quantity and immediacy of such data.

Analytical prowess in consultants and inside client organisations has benefited from a step-change, using new heuristics and faster computing power, more topical data and stronger market insights. The approach to segmentation today is much smarter and has stretched well away from the days of limited data explored only with cluster analysis. The coverage and wealth of the solutions are unimaginable when compared to the practices of a few years ago. Then, typically between only six to ten segments were forced into segmentation solutions, so that an organisation could cater for these macro segments operationally as well as understand them intellectually. Now there is the advent of what is commonly recognised as micro segmentation, where the complexity of business operations and customer management requires highly granular thinking. In support of this development, traditional agency/consultancy roles have transitioned into in-house business teams led by data, campaign and business change planners.

The challenge has shifted from developing a granular segmentation solution that describes all customers and prospects, into one of enabling an organisation to react to the granularity of the solution, deploying its resources to permit controlled and consistent one-to-one interaction within segments. So whilst the cost of delivering and maintaining the solution has reduced with technology advances, a new set of systems, costs and skills in channel and execution management is required to deliver on this promise. These new capabilities range from rich feature creative and content management solutions, tailored copy design and deployment tools, through to instant messaging middleware solutions that initiate multi-streams of activity in a variety of analytical engines and operational systems.

Companies have recruited analytics and insight teams, often headed by senior personnel, such as an Insight Manager or Analytics Director. Indeed, the situations-vacant adverts for such personnel out-weigh posts for brand and marketing managers. Far more companies possess the in-house expertise necessary to help with segmentation analysis. Some organisations are also seeking to monetise one of the most regularly under-used latent business assets... data. Developing the capability and culture to bring data together from all corners of a business, the

open market, commercial sources and business partners, is a step-change, often requiring a Chief Data Officer. This emerging role has also driven the professionalism of data exploration, using more varied and sophisticated statistical techniques.

CEOs, CFOs and COOs increasingly are the sponsor of segmentation projects as well as the users of the resulting outputs, rather than CMOs. CEOs because recession has forced re-engineering of value propositions and the need to look after core customers; CFOs because segmentation leads to better and more prudent allocation of resources – especially NPD and marketing – around the most important sub-sets of a market; COOs because they need to better look after key customers and improve their satisfaction in service delivery. More and more it is recognised that with a new segmentation comes organisational realignment and change, so most business functions now have an interest in a segmentation project, not only the marketers.

Largely as a result of the digital era and the growth of analytics, directors and company leadership teams are becoming used to receiving more extensive market intelligence and quickly updated customer insight, so leading to faster responses to market changes, customer issues, competitor moves and their own performance. This refreshing of insight and a leadership team's reaction to this intelligence often result in there being more frequent modification of a target market strategy and segmentation decisions.

So many projects set up to consider multi-channel strategy and offerings; digital marketing; customer relationship management; brand strategies; new product and service development; the re-thinking of value propositions, and so forth, now routinely commence with a segmentation piece in order to frame the ongoing work. Most organisations have deployed CRM systems and harnessed associated customer data. CRM first requires clarity in segment priorities. The insights from a CRM system help inform the segmentation agenda and steer how they engage with their important customers or prospects. The growth of CRM and its ensuing data have assisted the ongoing deployment of segmentation.

One of the biggest changes for segmentation is the extent to which it is now deployed by practitioners in the public and not-for-profit sectors, who are harnessing what is termed social marketing, in order to develop and to execute more shrewdly their targeting, campaigns and messaging. For Marketing *per se*, the interest in the marketing toolkit from non-profit organisations, has been big news in recent years. At the very heart of the concept of social marketing is the market segmentation process.

The extreme rise in the threat to security from global unrest, terrorism and crime has focused the minds of governments, security chiefs and their advisors. As a result, significant resources, intellectual capability, computing and data management have been brought to bear on the problem. The core of this work is the importance of identifying and profiling threats and so mitigating risk. In practice, much of this security and surveillance work harnesses the tools developed for market segmentation and the profiling of different consumer behaviours.

This white paper presents the findings from interviews with leading exponents of segmentation and also the insights from a recent study of marketing practitioners relating to their current imperatives and foci. More extensive views of some of these 'leading lights' have been sought and are included here in order to showcase the latest developments and to help explain both the ongoing surge of segmentation and the issues under-pinning its practice. The principal trends and developments are thereby presented and discussed in this paper.

1. Introduction

Organisations operate with a set of selected target markets and product offerings. Each decides on its scope, field of activity and markets. Aston Martin manufactures cars, Waitrose operates supermarkets, Tilda produces rice, Red Bull manufactures a drink, Alba supplies audio products, and Vodafone is a telecoms player. Except, none of those labels truly reflects what these businesses have opted to be. In practice, Aston Martin provides only high performance luxury cars, Waitrose operates upscale supermarkets retailing quality groceries, Tilda targets discerning consumers with its premium rice, Red Bull manufactures performance drinks, value-focused Alba only supplies low-price audio equipment, and Vodafone is highly focused on mobile usage for web and phone. Each of these companies has defined its broad realm of interest and thereby its overall markets. Take a closer look, and each of these businesses has more narrowly scoped a set of priority target markets within their broader marketplace. In so doing, they have consciously opted not to serve many consumers in the overall market.

Aston Martin provides an aspiration and eventually, after a long wait, a mode of transport to drivers who often possess several other vehicles and whose purchasing decision might have weighed up buying a luxury motor yacht or holiday island against adding a Vantage to their driveway. Waitrose is not chasing the customers of Asda, Morrisons, Aldi or Lidl, but seeks Tesco's *Finest* consumers and those shopping in Marks and Spencer. Tilda is happy to leave the less discerning rice buyer to purchase supermarket own label or a rival brand, so long as scratch cooks and foodies select its rices. Red Bull focuses on energy drinks for those with high-energy lifestyles, rather than thirsty consumers targeted by Coke or Pepsi. Alba does not seek to appeal to the end of the market drooling for the latest offering from Apple of Bose. Vodafone is not interested in all parts of the mobile telecoms market, instead focusing on business users, youths and family groups. In fact, if the target market strategy of any of these businesses is fully dissected, it becomes evident that each company has identified several sub-markets to attract and some markets to ignore. Why? Because they are practicing market segmentation.

With the onset of digital marketing it had been suggested that segmentation might be replaced with one-to-one marketing. Ten years on from such doom-laden predictions, we decided to interview a set of movers and shakers in the domain of Marketing to find out in what ways the advent of the digital era had impacted on how organisations identify their target markets and engage with their customers. We interviewed three groups: consultants, senior brand/marketing executives, and the leaders of a set of digital agencies.

Headline findings are over-viewed below. Each warrants its own white paper, but the focus here is market segmentation. In this context, the consistent view was that segmentation is not only alive and well, but is an essential foundation for much digital marketing. What was also clear was how much the nature of conducting segmentation, its purposes, those who seek innovative segmentations, and the variables used have changed. In part, because of big data and the digital era, but also motivated by the strategic drivers and corporate politics detailed below.

Segmentation is not a new concept. For six decades marketers have, in various guises, sought to break-down a market into sub-groups of users, with each group sharing common needs, buying behavior and marketing requirements. However, this approach to target market strategy development has been rejuvenated in the past few years. Various reasons account for this upsurge in usage of segmentation, forming the focus of this white paper.

To ensure there is no ambiguity pertaining to what we mean by segmentation and its role in marketing strategy – indeed, in corporate strategy – this paper commences with a short section re-stating a few of the basics before showcasing how one mobile phone player retained its leadership by adopting the principles of segmentation in a 'traditional' segmentation project. However, much is changing in the sphere of segmentation. A brief review of research exploring the ways with which the onset of digital has impacted on marketing strategy, target market selection, customer engagement and the role of Marketing within organisation reveals that segmentation is a strong theme in this research and its preliminary findings. Informed by these topical insights, some of which are very surprising, further opinions have been sought from key informants relating to the use and nature of market segmentation. Therefore, the final sections of this paper provide the views of some of the bright thinkers in Marketing and leading exponents of market segmentation, as they suggest how segmentation has evolved and where it is heading.

2. **The Nature of Segmentation**

Before turning to the developments and the future for segmentation, this section establishes what is meant by market segmentation.

A *market* is defined as a group of people who, as consumers or as part of organisations, need and have the ability, willingness and authority to purchase products in a product class. In general use, the term *market* sometimes refers to the total population - or mass market - that buys products. However, the definition used here is more specific, referring to individuals seeking products in a specific product category. For example, students are part of the market for textbooks, as well as being markets for calculators, stationery, music, e-readers, laptops, smart phones, food, accommodation, travel, insurance and other products and services. Obviously, there are many different markets in any economy.

Markets can be divided into two categories: consumer markets and business markets. A *consumer market* consists of purchasers and/or individuals in their households who personally consume or benefit from the purchased products and who do not buy products primarily to make a profit from selling them on. Each of us belongs to numerous consumer markets for such products as housing, cars, appliances, furniture, clothing, food, financial services and leisure activities. A *business market* is sometimes referred to as an *organisational* or *business-to-business market* and consists of individuals or groups that purchase a specific kind of product for one of three purposes: re-sale, direct use in producing other products or use in their organisation's general daily operations.

The varying characteristics, needs, wants and interests of consumers or business customers mean that there are few markets where a single product or service is satisfactory for all. The trend is away from a mass marketing approach. Markets in which all customers have different requirements are termed heterogeneous markets. For example, the market for wristwatches is quite diverse. Swatch designs relatively low priced watches for the fashion-conscious customer. Rotary markets much more conservative and expensive designs for an older customer group. Polar produces technology-led time and measurement monitors for sports and health-focused consumers. In completely heterogeneous markets the only way to satisfy everyone is by offering tailor made or bespoke products. This situation is more prevalent in some business-to-business markets. In any market, while it may not be feasible to offer every customer a tailor made product, it is possible to aggregate customers into groups of consumers or businesses sharing similar product needs and buying behaviours. This creates market segments.

Market segmentation is the process by which customers in markets with some heterogeneity can be grouped into smaller, more similar or homogeneous segments. A *market segment* therefore is a group of individuals, groups or organisations sharing one or more similar characteristics and buying behaviour that cause them to have relatively similar needs and purchasing. Market segmentation involves identifying such groups, so that marketers are better able to develop product or service benefits that are appropriate just for them. They do this by designing products or services and brands to appeal to particular target segments, to be supported by an appropriate promotional campaign, relevant customer service, and suitable

pricing and place/distribution strategies.[1] For example, clothing sold through Jack Wills is manufactured for youthful fashion-conscious consumers, typically older teens and students. This is reflected in the product styling, store design and locations, branding and marcomms, and the way in which Jack Wills' image is managed.

Once market segments have been identified, marketers decide which they intend to enter or serve. Many businesses choose to target a set of segments. No one attempts to offer propositions to all segments within a particular market. Even mega-corporations such as Ford or Apple opt to ignore certain segments. A marketing programme covering all elements of the marketing mix can then be designed to suit the particular requirements of the segments targeted, as with the earlier examples of Aston Martin, Waitrose, Tilda, Red Bull, Alba and Vodafone. No longer is segmentation confined to FMCG and consumer products. Business-to-business marketers harness segmentation in order to prioritise their activities and deployment of resources, as do marketers handling services.

Segmentation provides businesses with a number of advantages that make it easier to develop and capitalise on the opportunities available to them[2]:

Customer Analysis

Segmenting markets leads to a better understanding of customers' needs, wants and other characteristics to be achieved, providing topical insights and direction. The sharper focus that segmentation offers allows the personal, situational and behavioural factors that characterise customers in a particular segment to be considered. Questions about how, why and what customers buy can be addressed. By being closely in touch with segments, marketers can respond quickly to even slight changes in what target customers want and are more likely to develop ongoing relationships and build some brand loyalty.

Competitor and PESTLE Analysis

Most markets are characterised by intense competition. Within this hostile environment, companies need to understand the nature of the competition they face. Who are the main competitors? At which segments are these rivals targeting their products? What are they doing for customers in our target segments? What developments are there in terms of the external trading environment and how do these pose threats or opportunities? Answering these fundamental questions allows marketers to make decisions about the most appropriate segments to target and the kinds of competitive advantage to seek. When companies embark on segmentation, they are forced to update their knowledge of market trends and their competitive arena in order to make informed decisions about which segments to address and how. The process of creating and then targeting segments updates an organisation's appreciation of its opportunities, threats, competitive pressures, commercial imperatives and ability to differentiate. As such, there always are 'light-bulb' moments for leadership teams and senior executives as the project unfolds.

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[1] A more extensive explanation of the concept of market segmentation is available in *Marketing: Concepts and Strategies*, by Dibb, S., Simkin, L., Pride, W. and Ferrell, O.C.; Cengage, 2012.
[2] See *Market Segmentation Success: Making It Happen!*, by Dibb, S. and Simkin, L.; Routledge, 2008.

Effective Resource Allocation

All companies have limited resources: to target the whole of the market is usually unrealistic. In fact, it is hard to think of any company or brand that takes on a market in its entirety. The effectiveness of personnel, finances and material resources can be greatly improved when they are more narrowly focused on a particular segment of customers. It is evident during most segmentation projects that senior management, notably CFOs, COOs and CEOs[3], relish the clarity provided in terms of steering resource allocation and the spending of budgets. More often than not, the CFO or COO is a driving force within an organisation for conducting segmentation so as to focus resource deployment more prudently and narrow down the range of operations necessary as the target market strategy is rolled out.

Strategic Marketing Planning

Companies operating in a number of segments are unlikely to follow the same strategic plans in them all. Dividing up markets into segments allows marketers and the leadership team to develop plans that give special consideration to the particular needs and requirements of customers in different segments. The time scale covered by the strategic plan can also be structured accordingly, because some segments change more rapidly than others.

There are three stages to carrying out market segmentation: segmentation, targeting and positioning[4]:

a. Segmenting the Market

There are many ways in which consumers or business customers can be grouped and markets segmented. In different markets, the variables that are appropriate change. The key is to understand which are the most suitable for distinguishing between different product requirements. Big data, digital and new trends are all steering changes to how companies conduct segmentation, as described later in this paper. Understanding as much as possible about the customers in the segments is also important, as marketers who really 'know' their targets are more likely to design an appropriate marketing programme to attract and retain them.

b. Targeting Strategy

Once segments have been identified, decisions about which and how many customer groups to target can be made. There are several options:

- Adopt an *undifferentiated approach*, focusing on the total market. Such a mass-market stance is now very uncommon.

- Concentrate on a *single segment* with one product/service and marketing programme. Specialisation and niching may result in leadership and segment domination, but most businesses prefer to spread their risk across several markets and segments.

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[3] CFO = Chief Financial Officer or Finance Director, COO = Chief Operating Officer or Operations Director, CEO = Chief Executive Officer, CMO = Chief Marketing Officer or Marketing Director.
[4] See *Marketing Essentials* by Dibb, S. and Simkin, L.; Cengage, 2013.

- Offer one product/service and marketing programme to a number of segments. This is possible, but this approach risks failing to properly address the expectations of those in each separate segment being pursued.

- Target a different product/service and marketing programme at each of a number of segments. Such *differentiated marketing* to a set of target market segments is the preferred option for most businesses, although it is costly.

With the arrival of digital, once target segments have been determined, an organisation has more flexibility than ever before in tailoring propositions, customer handling and marcomms to individuals within these priority segments. Customer relationship management (CRM) tools enable much smarter handling of individual accounts than ever before, and routinely capture information. Targeting propositions within a particular segment is now very common; in effect differentiating the value derived from individuals within a target market segment.

c. Positioning the Product

Companies must decide precisely how and where within the targeted segments to aim a product, service or brand. The needs, wants and perceptions of targeted customers must be translated into a tangible mix of product/service, personnel, price, promotion and place / distribution.

These three stages for conducting segmentation combine to help explain the current surge of interest in segmentation, as explored in the series of insight boxes later in this white paper.

3. The Traditional Role of Segmentation

To reaffirm the value of segmentation and its power in directing strategy, this section explores market segmentation in relation to a segmentation project conducted in the Eastern European telecommunications market for mobile phones. This example of a 'traditional' segmentation project provides a step-by-step view, from the inception of the project through to the selection of target segments and the rollout of marketing programmes. Insights into the practical reasons for carrying out segmentation are provided and the strategic benefits are revealed. The requirements for managing a segmentation project are highlighted. The performance benefits for this telecoms player were considerable, underpinning the value of segmentation-based strategy. This illustration of segmentation demonstrates well the traditional scope of segmentation in classic commercial markets, as companies seek to compete effectively, refresh their customer-facing propositions, strive to add value for their owners and investors, while exploring growth options in maturing markets.

A Project Targeting Growth in the Mobile Phone Market

The centrality of market segmentation to marketing strategy is well established, along with clearly developed academic views about the nature of the segmentation process. Practitioners are encouraged to handle market heterogeneity by using their understanding of customer needs, attitudes, perceptions, purchasing behaviour and influences, as the foundation for creating homogeneous segments. These segments foster marketing programmes that are tailored to match customer needs. This illustration explores how a recent segmentation project was conducted in the Eastern European telecommunications market for mobile phones (cellphones).[5]

The Project's Aims

The company (referred to here as the 'teleco') operated in many countries. Either it was a domineering market leader in terms of market share, or the number one challenger. Unlike O2 or Vodafone, this operator traded under different brands in each country. Until this point there had been no real market segmentation: the teleco had simply categorized its customers either as business or and private users, and in terms of whether they were on monthly tariffs/long-term contracts or 'pay-as-you-go' tariffs. This categorization of customers was typical also for most players in the industry at this time.

The project's aims were to harness the power of market segmentation to shape the teleco's target market strategy, re-think its branding, achieve greater alignment with market trends, and to compete more effectively. The teleco intended to reorganize its sales, marketing and customer support personnel around the targeted segments. The sponsor was the teleco's CFO. Throughout the segmentation project, a specially created team of managers and external consultants worked closely with the directors, to ensure the eventual solution adhered to the company's goals, which were:

1. To be the market leader or the number one challenger brand in each country.
2. To increase revenue per subscriber.
3. To grow customers' usage times per month.
4. To build the subscriber base.
5. To create a brand reputation for innovation, service delivery excellence and value.

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[5] This case illustration was originally developed for the Academy of Marketing's conference case track. The identity of the client organisation is disguised for reasons of commercial confidentiality.

Undertaking the Segmentation Project

A leading German marketing research organisation was selected to specify and implement a research project to identify market segments within four of the teleco's national markets (countries). The segmentation project combined qualitative and quantitative research methods. It took place over an eighteen-month period, from initial project scoping to the rollout of the final marketing plans that had been designed for the key targeted segments. There were seven phases:

Phase i: preparation and scoping

During the preparatory phase, the current market structure was explored through an internal scoping workshop involving the organisation's senior leadership team, external industry experts and the research organisation. This workshop also identified the level of change desired within the organisation or anticipated as a result of the project, coverage of markets/businesses to include, key personnel to involve in the project, data requirements, anticipated timelines, deliverables and budgets.

Phase ii: exploratory qualitative marketing research

The researchers needed to delve into customers' behaviour and use of mobile phones. Exploratory focus groups were conducted in each country to learn more about mobile phone usage; including customers' attitudes, motivations, stated behaviours, purchasing approaches, lifestyles, and factors affecting their perceptions of currently available options. From these insights a questionnaire was prepared for use in the quantitative research phase.

Phase iii: the quantitative survey

10,000 consumer interviews were conducted (2,500 in each of the four countries) to provide data for a quantitative analysis of consumers' needs, required benefits, usage, lifestyles and attitudes towards mobile phones. Of these 2,500 interview targets 1,000 were current users of the teleco's brand, with the remainder being users of other brands and non-users. This number provided a statistically valid sample on which to conduct the multivariate analyses and apply the necessary statistical significance tests for each country. The survey of corporate subscribers, involving a further 2,000 interviews, reflected the fact that the majority of the market in these countries is made up of private consumer subscribers. These corporate subscriber interviews were allocated in proportion to the size of the corporate subscriber base in each country. These business-to-business interviews covered the same usage, attitude, perception, lifestyle, functionality and profiling aspects as in the consumer interviews, but also examined the buying centre dynamics and corporate decision-making, billing and tariff issues that are pertinent to corporate subscribers.

Phase iv: multivariate analysis and identification of segments

A range of multivariate techniques, including factor and cluster analyses and structural equation modelling, was applied to the survey data to generate segments of homogeneous customers. Workshops with client personnel helped to test the intuitive logic of the emerging segments (see the table below for the eight segments). Once managers had approved these customer groupings, further 'deep-dive' focus groups were run within each identified segment to more accurately profile customer requirements and expectations, and to test the validity of the proposed segmentation.

Phase v: internal dissemination of the segmentation

Senior managers took part in reporting the segments throughout the organisation. This dissemination was customised to reflect managerial cultures and market conditions/challenges in each of the four countries. The intuitive logic of the eight segments encouraged rapid buy-in and staff support. Everyone viewing the segments found it straightforward to allocate themselves, family, friends and colleagues to a particular segment.

Phase vi: bringing the segments to life for marketing planning

Follow-up qualitative marketing research was used to test consumer and business customer views of the marketing propositions developed for the targeted segments and competitors' propositions. These insights informed the subsequent marketing planning.

Phase vii: operationalisation of the segmentation

The final stage involved managing the adoption of these segments within the organisation and implementing the recommended segmentation solution. Various market analyses were used to steer the target market strategy and to determine which segments to pursue. These included reviewing existing performance, assessing internal capabilities, examining the competitive context, and conducting a PEST review of market trends. A SWOT analysis developed from the review of internal capabilities and market trends was used in conjunction with portfolio planning techniques[6] to determine the target segment selection and to inform the marketing plans that were subsequently devised. Detailed competitive positioning strategies helped to steer the marketing programmes that were developed. In order to operationalise these segmentations, a time-consuming and expensive process of mining the teleco's data warehouse was needed, so that existing customers could be profiled and then allocated to the segments.

Segment Evaluation

The marketing research company used a balanced set of evaluative criteria to validate the robustness of the segmentation solution. These combined quantitative/statistical measures with more qualitative/strategic criteria:

Statistical Criteria

Profiles: were the compositions of the apparently separate segments statistically different?

Distribution of minima and maxima: were the emerging segments sufficiently different from each other or alternative ways for grouping these consumers?

Discriminance (F-value): how many variables had the power to discriminate segments?

Country distribution: could all segments be found in all countries and did they have a sufficient size to be viable?

Robustness: could the segments be reproduced in further future runs or would the segment structure be different?

Qualitative and Strategic Criteria

Coherence: were the segments plausible in relation to the base and descriptive variables used or were there contradictions?

Vividness: were the segments vivid? Did the segment solution provide a clear mental picture of the people within each segment?

Differentiation: did the consumers within each segment differ according to core dimensions; e.g. interest in cellphone services/applications, lifestyle and personality, general affinity towards technology, attitudes towards mobile phones, mobility, communication habits, etc?

Useful: did the segments help with marketing? Could consumers within them easily be targeted with marketing programmes? Were the emerging segments adequately intuitively logical for managers to understand?

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[6] It is common to apply the directional policy matrix (DPM) in order to screen emerging segments to determine their relative attractiveness for full-on commercialisation, as explained in *Market Segmentation Success: Making It Happen!*, by Dibb, S. and Simkin, L.; Routledge, 2008.

As with any quantitative analysis, statistical significance tests were needed to verify the robustness of the process and of the ultimate segment solutions. Senior managers also recognised the need for recommendations that were intuitively logical to those charged with implementing the segmentation. For example, managers needed to believe that existing customers could readily be allocated to one of the emerging segments. The qualitative/strategic criteria were specifically devised to address this need. The segmentation solution that was eventually generated by the process was firmly rooted in customers' core needs and lifestyles, their mobile phone usage and attitudes towards the mobile world.

The Emerging Target Segment Strategy

Cluster analysis produced a statistically sound fourteen-cluster solution: the respondents from the survey fell into fourteen homogeneous groups or market segments. However, the organisation had previously only operated with largely two broad 'categories' of (a) business users on contracts and (b) consumers on pay-as-you-go tariffs. For the organisation to conceptually and operationally progress from two to fourteen customer groups was viewed as too major a transition to manage. The next statistical cut-off from the cluster analysis was the eight-cluster solution. These eight remaining segments were statistically and intuitively robust, and could be visualized readily by the managers tasked with implementing the segmentation strategy. The eight segments were also mutually exclusive, with each individual consumer or business customer clearly allocated to only one of the segments.

The Eight Segments' Profiles

Talk 'n' Texters - "I just have a mobile phone because it is practical".

The conservative consumer, not immersed in technology but with a few practical needs that can be fulfilled by technical appliances. S/he relies on mobile phones for practical reasons only.

Interested in basic functions, especially SMS, but not attracted at all by more sophisticated or fun services, be it via mobile phone or the internet.

Talkative Trendies - "Talk around the clock".

The modern, fun- and fashion-oriented socialiser. This customer needs a mobile phone to keep in constant touch with the social scene and fulfil a strong need for communication.

Interested in all applications and services.

Aspiring to be Accepted - "Would like to have it but is not really up to it".

Wants to be part of the 'in-crowd', but is not there yet, and possibly never will be! These customers have a mobile phone because they just want to show it off: they seek to have the same trendy handsets they believe are adopted by peer sets which they aspire to join.

Show a special affinity towards photo, video and MP3 applications.

Laggards - "Torn between conservative values and the modern world".

Traditionalist views with low communication needs and basic technical usage.

The Luddites or those late into the market!

S/he holds specific aversions to mobile phones (SMS) but also views them as a practical-only device (eg: for emergency calls only).

Gaming Youths - "Game oriented mobile world addict".

Young and very technology-oriented people, belonging to the mobile generation, who need a mobile phone in order to maintain a fast-living fun life.

Games, games, games! Plus music.

These customers search for images and brands that help them keep track with the modern world.

Sophisticated Careerists - "Be successful with mobile technology".

Career-oriented individualists with lots of contacts. Highly immersed in technology and very mobile.

Demanding value for money. Customer care and respect are very important to these customers.

They need a mobile phone to organise their life and business, but they are not emotionally attached.

Self-choosers for work mobiles are included here.

Organisation Paid - "No choice – the corporation decides".

Demanding value for money and customer care.

Network coverage, reliability and volume tariff discounts are the focus.

Users have little influence on selection, so not particularly fashion or technology-led.

International Business Users - "Frequent connected business travellers".

Easy quad-band roaming and smooth data transfer.

Some similarities with *Sophisticated Careerists* but with much greater emphasis on functionality and flexibility of at-destination services.

Influenced by corporate choice of network and tariff plans.

The first five are consumer segments. The last two are business user segments. The *Sophisticated Careerists* are mainly business users who self-select mobile network, handset and tariff option and behave as consumers rather than business users.

NB: In order to protect the commercial interests of the client, the segment labels and descriptions, along with a few client-specific aspects of the data collection, segment analysis and subsequent data warehouse mining, have been disguised or amended.

These segment labels were deliberately attention grabbing, to aid internal communication, as the segmentation was rolled-out. A further benefit was that these labels could readily be used to allocate mobile phone users to segments. No doubt you can do this for yourself, your friends, family members, and colleagues!

The marketers in the client teleco and those personnel responsible for product development, marketing campaigns and customer service, received a full range of information about each of the segments and their members. This included their technology affinity; mobility habits; communication habits; cellphone usage and attitudes; the relative importance of mobile services; any interest in special applications; spending and price sensitivity; information sources; internet usage and activities; reasons for operator/service provider choice; brand awareness and brand strength/attractiveness; satisfaction levels with a particular network; lifestyle/leisure activities; and demographics (age, gender, education, income). Summaries of the segment profiles and top-level marketing programme recommendations were also provided. The CFO produced detailed value stream analyses for each segment and assessments of RoI and profitability patterns.

Although the research suggested that all eight segments were present in each of the four countries, they varied considerably in terms of size and relative attractiveness. The project team agreed a set of fourteen attractiveness criteria and used the directional policy matrix (DPM) portfolio planning approach to determine which segments should be prioritised by the organisation. Individual country management

teams had flexibility in applying these attractiveness criteria, so each country was empowered to decide which segments to target. One country opted to address four of the eight segments. For another, the bulk of the organisation's sales and marketing activity was focused on only two segments: in one segment a challenger brand was gaining market share, while the second segment showed the greatest growth prospects. In two countries, separate brands were devised to appeal to the distinctive behaviours and expectations in the different segments. In one country, the Gaming Youths were offered a *Stay Connected..... Play & Enjoy!* youth-oriented brand, while the Talkative Trendies were targeted with the core brand in conjunction with *The Ultimate Network!* positioning. None of the countries chose to target all eight of the segments and no two countries shared identical target market strategies. This pragmatic approach enabled the teleco to respond to the contrasting market conditions and competitive contexts in each of the four countries. The CFO, as sponsor, was satisfied that the selections of segments to target reflected the strongest basis for financial performance growth, shareholder value and resource utilisation.

Having made their own targeting decisions, each country's management team developed marketing plans to tackle the chosen segments and to service the targeted customers. These marketing plans were informed by the detailed consumer insights provided by the segmentation study's marketing research, but also were steered by competitors' strategies/actions, changes to the regulatory environment, the financial value of customers, channel strategies and product developments. The result was that no two country management teams adopted a similar plan of action for engaging with the business customers or consumers in a particular market segment. The resulting sales and marketing programmes were fine-tuned to reflect the unique conditions in each country, as well as the expectations of the chosen target market segments.

Over the next two years in all four countries, the new segmentation led to market share and revenue gains, and significant improvements to brand awareness and customer satisfaction in the targeted segments. Competitive advantage was derived from the fact that the teleco's rivals were far less strategic in their approach to target marketing or campaign development. Over the following two years, where the organisation was already market leader, challengers' shares were eroded; and, where the teleco was the challenger brand, the company also achieved impressive market share gains. Directors and leadership teams were pleased with their first exposure to segmentation.

Segmentation is often utilised in this way: segmentation has relevance across products and services in all markets, for consumers and business markets. However, motivations for undertaking such projects are changing, as are the available techniques. Many companies still emulate the approach described above and conduct segmentation as illustrated by this teleco player. But for others now practicing segmentation, there are new and different reasons driving their adoption of the concept. Those seeking these strategic insights frequently are not traditional marketers. The available data and heuristics are significantly more varied and advanced compared with a few years ago. The markets in which segmentation is deployed are far more diverse than ever before. Why have these changes come about? What are the under-pinning drivers for segmentation today and where is segmentation now heading? The next sections of this paper explore what has altered and identify the reasons for the changing nature of segmentation.

4. Marketing Strategy and Customer Engagement in the Digital Era

In a recent study, we set out to examine the changing face of marketing strategy, segmentation and customer engagement in the digital age. Funded under the ESRC's DSR Communities Activities Funding Scheme, the research looked at whether the ways in which managers interpret consumer behaviour, determine targeting priorities and segmentations, and shape their marketing strategies are changing, and whether there is a gap between what is technically possible and what happens in practice. We were also interested in the extent to which these changes are altering the role and status of Marketing and markets within the firm.[7]

More specifically we aimed to:

- Discover how targeting priorities (markets, segments, customers) are decided. Considering how this is changing; who are the key internal/external decision makers; how this impacts on the strategic direction of the organisation; and, where decision-making 'power' lies.

- Examine how these decisions are implemented and what has been the impact of the digital era on this process.

- Consider if Marketing's role and value have been enhanced or diminished in companies and leadership teams.

This is an ongoing project, but Phase I involved a set of key informant interviews with CMOs, digital agency partners and senior consultants. The emerging initial reflections are highlighted below.

There was a stark contrast between the client side, the views of consultants and agencies:

a. CMOs and marketers focused on the enhanced speed and flexibility for reaching target customers and building dialogues in the digital era. There is nothing earth shattering in this conclusion, but nevertheless these developments present every-day demands on their teams. There was mention by CMOs of the challenges of 'big data' and the move towards analytics (and thereby to recruiting personnel equipped to help). In general, the priority for brands and their CMOs was applying better and more quickly the evolving tools of operating in a digital environment, but as iterative enhancements to their existing toolkits and approaches. They did not perceive these developments to be a revolution, more the case that their available options were broadened and enhanced.

b. The senior executives from the digital agencies suggested that we are in the midst of a revolution, with step-change implications for Marketing and CMOs' organisations.

c. The consultants described a scene of interesting and exciting developments, but in terms of more gradual innovation rather than truly disruptive change. The more thought-provoking and radical insights stemmed from the consultants.

Everyone provided valuable points of view, directional observations and suggested challenges for Marketing to address. The headline findings are over-viewed first, before specific observations and implications for market segmentation are discussed.

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[7] This ESRC funded project is being undertaken by Dr Ana Canhoto (Oxford Brookes), Professor Sally Dibb (the Open University), Dr Lee Quinn (University of Liverpool) and Professor Lyndon Simkin (Henley Business School).

Evolution or Revolution?

There was a feeling amongst the CMOs interviewed that the world of digital and social media provides new and interesting options, but as add-ons to their existing tools and techniques for understanding customers, communicating and engaging with them, and for building ongoing relationships. This new era offers challenges and opportunities, but not radically so. Perhaps not too surprisingly, those from digital agencies perceived the options enabled by digital and social media as very exciting, providing arguably far more enticing options for marketers than their former set of techniques. The senior consultants tended to side with the client-side (CMO) view, that we are witnessing an iterative development, but one providing fascinating possibilities.

Therefore, a very interesting divide was the difference in opinions between those involved in digital on the agency side and the rest, which was very marked and potentially has significant implications for on-going research. The agencies all talked-up digital and its implications, arguing that digital marketing was the new 'holy grail'. The cynic would say that they would inevitably adopt this stance! To the more senior strategists, brand executives and consultants, digital was simply an extension of what had gone before… new tools and tactics, but not radically so. They were very negatively disposed to those trying to promote digital marketing as a whole new world.[8] Their view was that, just as with the web over a decade ago, digital marketing will in a couple of years be nothing more than a mix of ingredients within the overall menu of marketing activities and options. If true, this will provide interesting commercial challenges for the digital agencies.

Client-Side Structure

Interestingly, the emergence of digitally enabled data and market insight, so fast changing and instantly accessible, has created a structural problem in many businesses. Many respondents commented on how younger 'digital geeks' own the digital domain inside their businesses, often sitting outside of the Marketing function. Marketers still are living in the older world of 'above' and 'below the line' comms, NPD and channels. With an increasing number of companies appointing Analytics or Market Insight Directors – often at a level on par with CMOs – Leadership Teams in many businesses increasingly are turning to these other colleagues in order to ascertain the latest market trends and insights.[9] The structural chasm inside many businesses – with non-Marketers taking ownership of digital and the associated data – presents significant challenges to the world of Marketing, yet arguably is a benefit to these companies, as they are furnished with faster and more detailed market insights. Older Leadership Team executives felt challenged, too, by the new digital world, but this is not a new observation.

SoLoMo and Societal Trends

SoLoMo came out strongly as drivers for marketing strategies: social, local, mobile:

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[8] This is very much also the stance adopted by the Chartered Institute of Marketing's new CEO, Anne Godfrey, speaking at the Academy of Marketing's annual conference in Cardiff, July 2013.

[9] For example, Tesco recently made many marketers redundant, instead setting up a freestanding digital function on a new campus to provide insight and engage with its customers in the digital era; http://www.marketingweek.co.uk/news/tesco-makes-sweeping-marketing-job-cuts/4007538.article, August 1 2013.

- The view was expressed that social media and online networks/communities had taken over the thinking in so many clients and their marketing strategy goals.

- Increasingly – fed by the sustainability agenda and recession – trading more locally (sourcing/distribution/communications) was important – for example the big supermarkets are doing this.

- The really big excitement was coming from creating mobile platforms and offerings, which truly made customers permanently accessible, but also brought a plethora of competitive threats and hard investment decisions across channels of distribution. Multi-channels have long been popular, but the view definitely is that many brands have yet to really unpick their most desirable options and determine how best to derive value and RoI.

The consultants also pointed to the societal changes currently underway, led by sustainability, rising costs, recession, the political landscape, demographic changes, but also by digital. Social media was seen as a game-changer in terms of breaking down the old socio-economic class divisions and enabling new networks and consumer peer groups to form. Anti-tax lobbyists perfectly illustrate what is now possible and how new 'communities' are formed online. The view was that no-one in authority had really grasped these implications, whether politicians, press editors, retailers, brand managers or consumer groups. Changing behaviours in the digital age are examined later in this paper.

Big Data

Not too surprisingly, 'big data' came out loudly and clearly as a key topic, but not necessarily as expected. There was acknowledgement that the digital environment created huge amounts of topical insight. However, the view was that to most brands this was unhelpful, as they were not equipped or capable of sifting quickly enough through the huge amount of available data to spot the few 'nuggets' with any real meaning and potential strategic advantage. The challenge is to develop protocols enabling fast (daily) reaction to only a very few but significant pieces of information within the mounds of available data. No one was deemed yet good at tackling this and all respondents hoped for solutions to be available soon from the leading IT and management consultancies.

Multi-Channel

Digitally enabled and social media communicated multi-channel management was identified by everyone as being an important fact of life today. The view from all sides is that this is still highly taxing, while being far from routine practice in most organisations. All those trading on-line and across platforms and channels need to better understand their value propositions, set-up and operating cost ramifications, and how/if their digital channel complements their existing channels to market. Interviewees from all three camps felt that few companies had effectively evaluated and measured the relative merits and contributions of their multi-channel offerings, and that optimising the 'right' mix was far from achieved by all but a few brands.

CMOs or Others on the Executive

The consultants noted that increasingly their client personnel were not Marketers, including for segmentation work. Instead they were CEOs, CFOs and COOs:

- CEOs, it was stated, turn to digital in order to keep their companies' thinking topical and because they feel obliged to be up to date.
- CFOs perceive digital to provide more cost effective options for marcomms and customer engagement.
- COOs recognise digital as a way for servicing customers better, but also for consumers to comment detrimentally about service delivery problems.

In general, these client CEOs, CFOs and COOs either create direct relationships with analysts and consultants, or recruit digital or analytics capability; but they do not routinely turn to their Marketing colleagues for help or to provide digitally-derived insights. This must pose a threat to the CMO and the role of Marketing as we know it today. As described later, this interest in aspects formerly the domain of Marketing by other business functions and leaders is increasingly applicable also for segmentation.

The Consumer's Role

There was consistency of opinion across our three audiences in identifying the growing role of the consumer in setting the agenda and proactively using new channels to communicate and share views. This was acknowledged to be a 'game-changer', presenting both threats and opportunities for managing or at least influencing growing C2C communication. Already, though, this situation is being treated as commonplace, rather than hugely innovative… important yes, but now 'day-job' and routine for marketers and companies to manage.

The Vocabulary Used

An interesting finding revolved around the vocabulary used by the three constituencies, with each using very different jargon to define/describe target markets, segmentation, targeting and customer engagement. The various audiences interviewed were far from consistent and often found the terms adopted by the other parties to be confusing or of different meaning to that ascribed by themselves. The 'new' world has provided new practices and terms, with as yet little common meaning or terminology.

Units of Analysis

For digital agencies, the emphasis is on the consumer as an individual unit of analysis and point of engagement, ignoring any notion of segments or broader target markets. On the other hand, CMOs and the consultants thought first about target markets/market segments and the implications from digital, and then about the options for developing more targeted and individual relationships presented by social media and digital channels within specified segments.

Therefore, the three audiences all had sharply varying views. Digital agencies, consultancies and client-side Brand/Marketing Directors held very different opinions. The last group, the CMOs, held the less far-sighted or earth-shattering opinions and were more tactically focused; the digital fraternity were somewhat more predictable and perhaps guilty of over-hyping; and, the consultants provided more far-sighted insights. The varying views and issues discussed evidently present considerable challenges for Marketing, but reveal exciting times.

As for segmentation *per se*, the views were clear-cut:

- Ready access to data enables faster creation of segmentations and the testing of propositions to take to market. Big data across numerous dimensions has made re-thinking of target market segments and value propositions inevitable, desirable, faster and more flexible.

- CEOs, CFOs and COOs are increasingly the sponsor for segmentation projects, rather than CMOs. CEOs because recession has forced the re-engineering of value propositions and the need to look after core customers; CFOs because segmentation leads to better and more prudent allocation of resources – especially NPD and marketing – around the most important sub-sets of a market; COOs because they need to help to better look after key customers and improve their satisfaction via service delivery.

- Analytical prowess in consultants and inside client companies has benefited from a step-change, using new heuristics and faster computing power, more topical data and stronger market insights. The approach to segmentation is much smarter and has stretched well away from the days of limited fields of data using simply cluster analysis.

- Many projects set up to consider multi-channel strategy and offerings; digital marketing; customer relationship management; brand strategies; new product and service development; the re-thinking of value propositions, and so forth, commence with a segmentation piece in order to frame the ongoing work and force those involved to consider specific target audiences as they deliver their projects. Data availability and new analytics make such segmentation quickly and cheaply available as a building block for further work within these projects, whereas previously the time and cost involved would have taken such use of segmentation off the agenda within these other pieces of work.

- Individual consumer first, as the focus of thinking and customer activation, or the target market segment? Digital agencies promote the former stance. Their clients and CMOs do not, preferring to disaggregate a market into segments, select which segments on which to focus, and then embrace digital marketing within these key segments.

These themes are returned to later in this paper.

With segmentation making such a strong show in these findings, a second round of interviews was conducted focusing solely on market segmentation's drivers, as overviewed in the next section.

5. The Momentum for Segmentation - Ten Drivers of Change

The leading drivers for change and the foundation for today's agenda for segmentation are radically altering the way in which segmentation is undertaken, for whom and in which markets. The next section expands on these developments, but first it is necessary to explain these underlying drivers.

All ten themes detailed here emerged strongly from these two phases of interviews. As these findings are based on interviews and not a quantitative study, arguably it is wrong to seek to rank them, so this list should not be interpreted thus.

The underlying reasons for how market segmentation is evolving include:

1. Recession has forced companies to re-think their value propositions and competitive strategies, thereby requiring updated customer insights to enable re-configured target market strategies. CFOs seeking budget savings and COOs wanting operational efficiencies and effectiveness are as much behind new segmentation studies as CMOs.

2. Market maturity inevitably leads companies and brands to seek additional or new user groups in order to achieve incremental growth and produce shareholder value, as with the example of the teleco player highlighted above. The digitally-inspired youth, ethnic markets, migrant workers and the aging population are just some of the audiences companies have been keen to understand and engage, leading to re-engineered segmentations and target market strategies. Using topical consumer or business customer insights into their behaviours enables a company to refresh its go-to-market strategy, propositions and engagement practices. More and more businesses are recognizing this to be the case, thereby embracing new-look segmentations.

3. The digital revolution provided the opportunity for the so-termed 'segment of one', with individualized and tailored marketing to specific customers and even individuals. What adverts has your homepage just shown you for which products? It is no coincidence that these happen to be your recently purchased brands or the products viewed recently in your browser. However, a brand cannot tailor propositions to every single consumer in a market. There still must be an overarching target market strategy and agreement of priority segments into which to play out such bespoke messaging.

4. Significant resources are now devoted to creating and shaping on-line brand communities. Marketers and CEOs stress that they no longer control messaging about their brands. Instead, social media enables so much consumer-to-consumer communications and lobbying from third parties. The roles of brand ambassadors and digital brand communities have taken on far greater importance. In terms of this journey, marketers are very curious to ascertain the overlaps and implications from their emerging brand communities with their established target markets and segmentation.

5. Most organisations now have deployed CRM systems and harnessed associated customer data. These insights help inform their segmentation agenda and refine how they engage with their important customers or prospects. However, there is growing evidence that effective CRM depends on there first being a clear segmentation and awareness of priority audiences on which to focus CRM activity. The take-off of CRM undoubtedly renewed interest in segmentation.

6. Practitioners in the public and not-for-profit sectors have harnessed what has come to be termed social marketing (not to be confused with social networking), in order to develop and to execute more shrewdly their targeting, campaigns and messaging. For Marketing per se, the interest in the marketing toolkit from non-profit organisations, viewed as part of the rise in interest in social marketing, has been big news in recent years. At the very heart of the concept of social marketing is the market segmentation process, as explored below.

7. The extreme rise in the threat to security from global unrest, terrorism and crime has focused the minds of governments, security chiefs and their advisors. As a result, significant resources, intellectual capability, computing and data management, have been brought to bear on the problem. The core of this work is the importance of identifying and profiling threats, so mitigating risk. In practice, much of this security and surveillance work harnesses the tools developed for market segmentation and the profiling of different consumer behaviours.

8. 'Big data' is a buzz term used daily now. It stems from the wealth of interactive and almost instantaneous data permitted by harnessing social media and digital marketing. The resulting information has presented companies with more topical and consumer-generated information than ever before, providing customer engagement intelligence as never previously was possible. Many marketing teams, analytics directors and leadership teams feel overwhelmed by the sheer quantity and immediacy of such data. As a result, segmentation is both helping focus the analysis of these market and customer data and is being shaped by the resulting insights.

9. Related to digital marketing and big data, companies have recruited analytics and insight teams, often headed by senior personnel such as an Insight Manager or Analytics Director. Indeed, the situations-vacant adverts for such personnel out-weigh posts for brand and marketing managers. These teams, harnessing digital channels and social media, have endorsed the expectations amongst their peers and senior management teams for speedy topical insight enabling well-honed product development, campaigns and retention strategies. A side benefit is that far more companies now possess the in-house expertise necessary to help with segmentation analysis.

10. Largely as a result of the digital era and growth of analytics, directors and company leadership teams are becoming used to receiving extensive market intelligence and quickly updated customer insight, so leading to faster responses to market changes, customer issues, competitor moves and their own performance. This often results in modified target market strategy and segmentation decisions. The ability to revise a segmentation and incorporate new insights has created a sense of expectancy in many leadership teams relating to rolling-change and routine updates to segmentation recommendations and engagement programmes.

These emerging themes warrant further exploration. Therefore, for this white paper, key informants in organisations such as GfK, IBM/Accenture, FutureLab and the Institute for Social Marketing have developed their ideas into a series of thought pieces. Through these thought pieces, each of these ten drivers for change is explained in more detail. With the support of these contributors, the changing nature of segmentation is brought into sharp focus.

6. Current Developments in Segmentation

This section explores the changing nature of segmentation and how it is undertaken, who now drives its use and the new arenas for burgeoning applications for this concept. Building on findings from our exploration for how the digital environment has impacted on marketing strategy and our discussions with leading exponents of segmentation from the Academy of Marketing's special interest group in segmentation, various interviewees were invited to build on their observations. These relate to evolving customer insights, the very nature of segmentation as today practiced by leading strategy consultancies and how social marketers have taken the segmentation concept into an array of new areas.

6.1. Segmentation and Targeting Strategies Operating in a Digital Era - The Need to Reflect New Behaviours

Chris Sanderson, co-founder of The Future Laboratory[10], suggests that there are emerging digital trends and developments with which it is necessary to be aligned in considering consumer behaviours and developing segmentations. In particular, he cites evidence emerging in The Future Laboratory's work which points to the importance of addressing changing social media behaviours and a set of associated trends. According to Chris,

> Social networking has transformed our behaviour radically, particularly younger generations, and going forward - even more - so will become key to how people shop, interact, socialise and make personal connections. What does that mean to brands and their strategies?

> Consider the evidence...

> o While there were 2.4bn social network accounts worldwide in 2011, there will be 3.9bn by 2015, according to US research firm Radicati. The number of social network users, meanwhile, is expected to rise from 798m in 2011 to more than 1.2bn in 2015.

> o Sina Weibo already has 500m users. Twitter now has 500m registered users and more than 200m active users. Video and picture-sharing sites are growing at a phenomenal rate, with Instagram adding 10m users a month.

> o Twitter-backed Vine, launched this year, enables users to create and share short, repeating GIF-style video clips. Vine has already been adopted as a new outreach tool by leading luxury brands, such as Louis Vuitton and designer Matthew Williamson.

> Brands and social networks have not been slow to begin building synergies, discovering new ways to advertise, converse, promote, sell and create communities around their product using the medium.

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[10] The Future Laboratory specialises in trend forecasting, brand strategy and consumer insight experts, focusing on innovation and inspiration. Chris Sanderson co-founded the business in 2001 and is Strategy and Insight Director.

Social media innovators are converting their reach into revenue by moving into commerce and expanding their advertising, with highly targeted product placements and promotions.

However, there are also new papers, government reports and documentaries emerging taking a critical view of social networking, exploring the negative, and permanent shifts to our behaviour as a result of social networking dominance. These suggest that public sentiment might move against social networking going forward, or there will be a new level of caution.

Brands and organisations have turned to social networking as they develop customer insight, determine targeting priorities, test out their propositions, and engage with priority customers. This is a fast-moving space, which requires thoughtful and considered use. Chris believes there are several related trends, which should not be ignored:

Social-Stalgia: the return to the original social networks of old. Bebo, one of the original social media phenomenons, has been bought back by its original founders, with plans to revive it. MySpace and ASmallWorld are both being re-launched.

Slow-Cial Media: the emerging backlash against Twitter torrents — there are new social networks focusing on slow content, meaningful posts, and thoughtful updates that add value to our lives.

Climb on the Vine: video is the new sharable 'must' in social networks, evocative, emotional, intimate, and sharable.

Ephemeral Apps: keen to avoid a lasting digital footprint (that can be spied on), teenagers are embracing social networks where posts and pictures explode, disintegrate, or disappear.

Local-Social Apps: Facebook and Google+ don't just want to know what you do online — they want to know what you do off line, too. Hence, both are launching localised searches enabling users to find local points of interest and stores, displaying these with reviews and posts by their friends.

Storytelling Apps: new social network platforms allow users to create illustrations of their life story, or even create new fiction themselves to share in storytelling social communities.

Cult of the Tastemaker: curator social network-meets-shopping sites are tapping in to the interest impulse among women, in particular, for sharing lists of their favourite things and driving them to shop for them.

Some of these developments potentially provide marketers with additional insights into consumer behaviour and the views of their customers, but in a vastly more complex and quickly changing manner than was previously predicted, with much more of the information communicated originated by consumers. Smarter marketers and their consultants might be able to harness these developments to finesse their targeting, customer handling, positioning and value propositions. Not, however, without a well-developed appreciation of these developments and their implications. The underlying behaviour changes – and nuances across different sets of people – need to be reflected in how companies define their target markets, position their propositions and engage with current and potential customers.

There are as many threats posed as opportunities presented by these trends and innovative forms of expression. There is no doubting the power of the digital age or the risks of ignoring these developments, as companies devise their target market strategies, propositions and customer engagement plans.

6.2. The Changing Nature of the Segmentation Project - Who Needs Stability?

Gareth Mitchell-Jones has helped clients with segmentation for many years in his roles at Experian, Accenture and now IBM.[11] In this section, Gareth describes how segmentation projects have changed, offering insight into current practices. His message is that segmentation, its construction, deployment and interested stakeholders have undergone a marked transition in recent times. Indeed many of the 'classic' assumptions and guiding principles have to be rewritten to reflect what is now possible and the ways in which segmentation is undertaken.

> In the last 20 years segmentation has been used extensively in business projects for both business-to-consumer and business-to-business organisations as a critical tool within a strategic planning framework. This has seen many forms, shapes and sizes; all built to meet specific needs, with varying degrees of success and failure, often unrelated to the choice of segmentation itself; but more often than not, related to the associated change activity required to operationalise the segmentation from strategy to defined business tactics in the pursuit of value.

> In all of this time, the general process for the successful development and deployment of a segmentation has not materially changed at a macro level. The requirement to engage a set of stakeholders with a vested interest in the success of the segmentation and the removal of barriers to development, attribution and deployment has remained as a fundamental success factor. This process is represented in the Figure below.

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[11] Brought up in the North of England looking up to the splendor of the Lake District and endless stretches of sandy beaches, Gareth Mitchell-Jones has more than twenty years of commercial experience, following a University life at UCLAN that saw him work full-time alongside his academic education in Marketing. Prior to his current role at IBM as a European Front Office Analytics Leader, he has worked for, and with, some of the biggest names in data and analytics, including dunnhumby, Experian and Accenture, where he has supported telecommunications, financial services, retail, insurance and automotive businesses, following client-side roles in the financial services and legal sectors. An expert in customer management and analytics operating model review and architecture, Gareth is currently engaged in data monetization and customer analytics engagements on a global basis for B2C, B2B and B2B2C audiences.
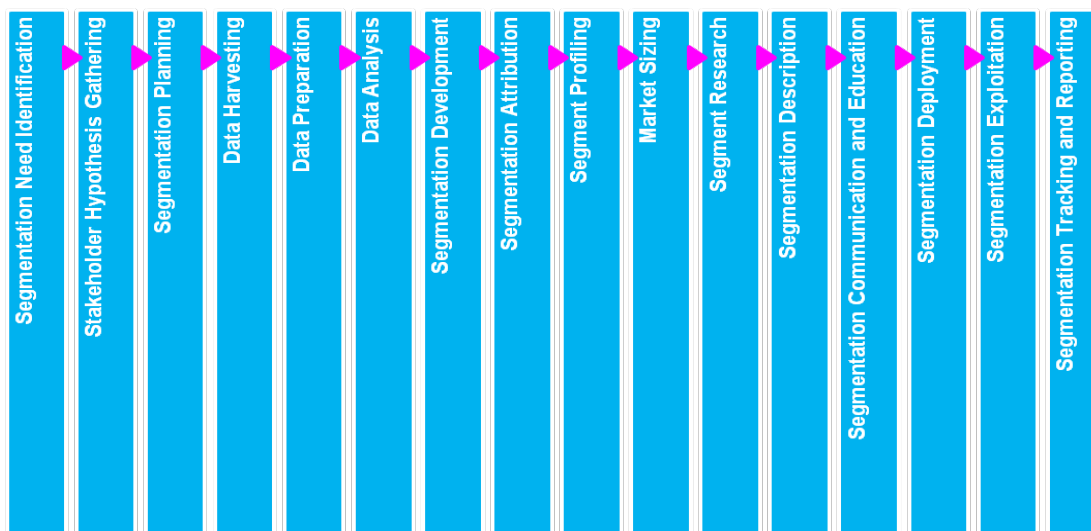
Figure 1: The Generic Segmentation Development and Deployment Process

Two things that have changed during this time are the source of the requestors of segmentation within the client organisation, as well as where these assets are deployed. Segmentation was largely a marketing tool for many years, with little need for specific requirements emerging from other areas of the organisation. During the late 1990s and early 2000s, the areas of the organisation requiring alignment began to proliferate; partly as technology became wider reaching and more closely integrated across functions, and partly due to the drive for multi-functioning departments to collaborate and deliver a consistent customer experience.

The first cause for this activity came between the Finance and Risk functions and their Marketing counterparts, who for many years saw themselves as disconnected teams battling against each other's perceived ineptitude; one accused of attracting poor quality customers who gave rise to detrimental business issues and the other accused of restricting business opportunity and growth. As thinking matured, and mass marketing was replaced by a drive for one-to-one interaction, these areas of the business recognised the efficiency and effectiveness gains that were within reach should marketing targeting and risk scoring be able to be aligned prior to new activity or upon origination of new product and service applications.

Today, it is not uncommon for almost every area of an organisation to be included within the stakeholder audience for a sophisticated segmentation solution. The mainstays of Marketing and Risk sustain pole position in this process, but are regularly joined by Collections, Customer Services, Technical Support, Sales, Supply Chain, Product Management, Procurement and HR functions, amongst others. Each of these stakeholders is able to take a unique and informed view of their function within the organisation and request that this be represented as part of the end state solution.

Segmentation Governance Principles

1. Assign a dedicated owner/sponsor who is accountable for the segmentation solution, its implementation and integrity.

2. Control variation away from an agreed approach.

3. Exploit for the purposes and needs designed by the sponsor/governance committee.

In the early stages of any segmentation, a number of hypotheses will be developed with interested parties that seek to explain the target state for the envisioned solution. In many cases, this task will be underpinned by investigative analytics in the form of root cause analysis or descriptive analytics; a progression from the simple profiling of randomly selected samples of customers and prospects driven by processing limitations.

This activity is often undertaken as part of a business consultation exercise, where an organisation's preparedness for the upcoming effort is reviewed. In some cases, this review will form the limiting scope of activity to be undertaken in the segmentation exercise itself, based on availability and ease of implementation of data, resources, skills and experience to create a solution. More progressive organisations will use this investigation to create a roadmap against a segmentation strategy that seeks to close the gaps that exist between the current and target states of the organisation.

In this scenario, it is highly likely that a fuller assessment against a target 'wish list' will be completed and leveraged as an input into the segmentation development exercise. This will enable prioritisation and funding of business improvement initiatives to be completed and a phased plan for the development and enhancement of the segmentation to be created. Once this plan is in place, the capability gap closing initiatives will be put into action, while the initial segmentation solution is developed. As these gaps are closed and 'drops' of functionality, applications, data or talent are acquired, the sophistication of the solution will progress. With its progression, the known impediments and their impacts will lessen over time, as new versions of the segmentation solution are released into operation within the organisation. This will create a regular, but sustainable pulse of change, stabilisation and performance improvements, prior to the introduction of the next wave.

Necessary Segmentation Development Principles

1. Be developed to address and retain a solution for a specific set of business needs and objectives.

2. Be developed, defined and understood consistently across geographies, departments and channels.

3. Be developed openly with agreement of resolution to issues experienced in development and documented through consensus.

As the sophistication of segmentation has increased over the years, so has the breadth and depth of the planning required to undertake a segmentation programme. Once a strategic tool with little, if any, direct operational impact, the number of stakeholders impacted by the introduction of a change in a segmentation across an organisation has

dramatically increased. Almost everybody throughout an organisation is aware of segmentation in some shape or form, each forming their own requirement and need. In many cases, these needs overlap; but often there are distinct and specific uses required of the target solution.

To support this expansive view of the organisation, the scale of data required as an input to the segmentation exercise has also increased, with a variety of internal and external data sources required in order to satisfy the source data needs of the most sophisticated segments. This has been largely made possible through well documented advances in technology and the implementation of increasingly powerful hardware and software tools. However, these have not been the only drivers for this expansion in granularity.

A rapidly increasing stream of interactions across a plethora of channels and media, all driving uniquely controlled and consistent content and interaction management requirements, have extended the traditional segmentation dimensions. This has led to the inclusion of data on social styles, networks, preferences, personalities, content styles, imagery, time of day availability, language, preferences and a host of other highly granular attributes, including suites of price, brand, product, behaviour, attitude and need propensities.

In recent years, this granularity has been driven still further through the advent of the data scientist and in some cases the creation of a board level role of the Chief Data Scientist or Chief Data Officer. This role is tasked with monetising one of the most regularly under-used latent business assets... data. Developing the capability and culture to bring data together from all corners of a business, the open market, commercial sources and business partners, through identification, valuation, prioritisation, exploration, manipulation and promotion of value driving sources, is an important step-change. This role has also driven increasingly professional and visible approaches to exploration of data, using more varied and sophisticated statistical techniques.

The coverage of the solutions and the potential number of segments are unimaginable when compared to the practices of the late 1990s and the millennial decade. Then, any number of between 6 to 10 segments were forced into segmentation solutions, in order to meet 'rules' that were enforced to enable macro groups of customers to be managed in a way that an organisation could cater for operationally as well as understand intellectually. The view that every market was different also began to be broken down at this time and experts were able to recognise holistic segments across the global marketplace with consistent needs, expectations and as a result, propositions. This was not the case for all segments or geographies, but at a strategic level at least, these macro trends underpinned the expansion of once local organisations into new territories, cultures and marketplaces.

As this complexity of segmentation requirement and usage initially developed, internal teams of analysts began working with business functions to develop point solutions. These segmentations met defined sets of requirements and limited needs. This practice was partly due to resource scarcity, but equally due to gaps in data that prevented discrimination between macro groups of customers behaving the same way for different reasons. Equally important was the urge to avoid complexity in the final solution. All of these factors combined to provide sub-optimal business solutions. When these point

solutions had been developed, the requirement to add controlled granularity without complexity saw the increased usage of segment and attribute overlays to provide basic personalisation capabilities in execution.

Importantly, at this point in maturity, the disruption of developing such a solution saw the introduction of enforced timelines for refresh and rebuild of the segmentation that were unrelated to the accuracy of the view the segmentation sought to represent. Importantly, in these cases, the longer the time since the original development of the asset, the less the segmentation represented a realistic view and attribution of the groups it was originally designed to understand.

As organisations reached maturity and acquired the resources and assets to enable the monitoring and assessment of the value of segmentation and its use, so too did their ability to monitor the quality and accuracy of the attribution. This enabled processes to be implemented that looked at the cost versus benefit of refreshing a segmentation solution, or even rebuilding it in order to improve its quality. At this level of maturity is was not uncommon for segmentations to comprise multiple dimensions including, but not limited to, lifestyle, purchasing habits, usage habits, life stage, channel preferences and value.

Beyond this state, organisations evolved their thinking and systems to enable a segmentation that evolved as the availability of new data sources of internal data were interwoven with those of more traditional routes. Data sources in this category would include sales and service logs, model data, location, talent and partner data. Despite this, they often remained driven by the need for stability in the segmentation solution, so that the segmentation could be used in an off-line planning mode

This progression ultimately led to the advent of what is commonly recognised as micro segmentation, where the complexity of business operations and customer management required highly granular thinking. In support of this development, traditional agency roles began to transition into in-house business teams led by data, campaign and business change planners. In more than one case, this saw newly developed segmentations drive the nature and shape of an organisation's restructuring exercises, as these companies sought to capitalise by focussing human and financial resources on segments in order to best meet and focus on the needs of particular groups of target customers.

For the few organisations who have managed to attain the highest maturity with regard to segmentation development, maintenance and application, a mix of internal and external data sources from commercial third parties, partners and open data sources has been integrated into a process that allows segmentation to adapt itself to a changing environment in a controlled manner. For these companies, the scale of the data ingestion that they are capable of achieving is unparalleled when compared to even the last decade. Accessing streams of data feeding into their organisation through technological APIs, network data feeds, equipment sensors, retail till logs, RFIDs, Near Field Communication, Wi-Fi and devices with on-board apps, these organisations are - literally in some cases - driven by data.

The journey to this heightened state of capability began a number of years ago and has adapted as technology and consumer behaviour have changed from the bricks and mortar world before the Internet to the world of consumerisation[12] we now find ourselves in. Leaders in this field recognised the importance of this transition and sought ways of accessing the data exhaust of other organisations and the 'Internet of Things'[13] through partners and joint venture relationships, in order to glean latent value from the data that were being expelled as useless, too difficult to access or of such volume that they were impossible to process.

The ambition has always existed to enable a true one-to-one customer dialogue and numerous companies have tried with varying degrees of success to deliver on the rhetoric of a personalised and consistent Omni-channel experience. As segmentation thinking and capability have developed over time, it is possible to see a reduction in the number of discrete segmentations many organisations seek to build. Instead they have targeted the creation of dimensions against attributes by which they wish to understand their customers, staff and partners. They have created what, to an external eye, looks like a highly complicated solution, when in reality they have simplified the way they attempt to understand these audiences. They are now able to benefit from a holistic view with multiple lenses applied against a common strand. In these cases, these organisations recognise this as the DNA of their business.

Segmentation Solution Principles

1. Reflect the latest behaviours, needs, value and market trends.
2. Provide an accurate description of the groups it is designed to understand.
3. Deliver perceived value for all interested parties.
4. Be attributed using real data - wherever possible - to the groups it is intended to describe.
5. Be stored alongside other segmentations to facilitate rapid overlay and exploitation of segmentation assets in operational and strategic processes.

With the advent of powerful technology at relatively low cost and complexity, it is possible to see business transforming capabilities applied daily to drive automation, control and adoption of segmentation solutions. The human resources required to develop, maintain and sustain a segmentation are much lower today as a result, and the shift in this maintenance activity has transitioned to non-IT audiences who own the asset and rely on IT to 'simply keep the lights on' and focus on enabling the streams of data to flow into, throughout, and out of the organisation to consumers, partners and suppliers.

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[12] Consumerisation – a term used in the 1990s in relation to information technology that has become synonymous in recent years (2010s) with the 'connected world' and the shift to an electronic marketplace enabled by an 'always on' consumer world, displaying less loyalty and the ability to shift brands or suppliers at will.

[13] Internet of Things – everything that connects to the Internet; not just desktops and laptops, but domestic appliances, cars, industrial devices and even your toaster.

This has led to the inclusion of data on social styles, networks, preferences, personalities, content styles, imagery, time of day availability, language, preferences and a host of other highly granular attributes, including suites of price, brand, product, behaviour, attitude and need propensities.

The challenge has shifted from developing a granular segmentation solution that describes all customers and prospects, into one of enabling the business to react to the granularity of the solution and deploy its resources in a way that enables a controlled and consistent one-to-one interaction. So whilst the cost of delivering and maintaining the solution has reduced with technology advances, a new set of systems, costs and skills is required to deliver on this promise in channel and execution management capabilities.

These range from rich feature creative and content management solutions, tailored copy design and deployment tools, through to instant messaging middleware solutions that initiate multi-streams of activity in a variety of analytical engines and operational systems, from a single input signal or system change. The ability to execute consistently in today's connected Omni-channel business environment has arrived and it continues to push to the limits of capability as this develops and reaches market-ready maturity.

In doing so, it has transgressed some long-held beliefs that to be useful a segmentation had to be stable, over a long enough period of time, to allow an organisation to react to, understand and execute on the way it would serve these groups. This phenomena has included the breakdown of former homogenous groups into smaller and smaller niche audiences that may look similar on the outside but at execution require a uniquely refined and explicitly targeted approach to communication and dialogue in process, tone, channel and media. This has all happened in the context of the shift from business-driven propositions and offers, to customer-driven needs and requirements; including 'the 7 Ps' of product attributes, pricing, promotion, placement, people, process and physical evidence. Ultimately driving the advent of product or brand advocacy through social review, recommendation, marketing, promotion and business execution. In some cases, this has even seen customers develop and run their own versions of the corporate businesses from which they acquire products and services.

Segmentation Measurement and Tracking Principles

1. Segments should be monitored and tested regularly for stability and accuracy of their description.
2. Segments should be measured for the quality of the attribution process outcome.
3. Transition of segment members from one segment to another should be measured.

All-in-all, this presents a very different view of segmentation than that described in many marketing textbooks. The segments can be very flexible, fluid and quickly evolving, with much tailoring of multiple offerings within each segment deemed to be a target market. The stakeholders driving segmentation and using its outputs spread way beyond the marketers in an organisation. The success of segmentation is as much about leading change management in the organisation as pushing market share gains and improving purchasing rates within the pursued

segments. The desire to monetise data has led to many organisations investing in their ability to do so. Changing data access, processing, heuristics and speed of turnaround have brought around a huge transition in the nature of segmentation, its goals and those seeking to benefit from its deployment. A 'good' result is no longer confined to six to ten macro segments and a desire for stability. Changing data sources and receptiveness in many organisations to flexibly reflect the changes revealed in ongoing analyses have led to micro segments and more of a fast moving ethos.

6.3.   The Emergence of New Domains for Segmentation - The Rapid Rise of Non-Commercial Applications

Sally Dibb, Director of the Open University's Institute for Social Marketing[14] explains the impact social marketing is having across a wide range of areas, in which segmentation and its principles are proving invaluable to these exponents of so many wellbeing initiatives. Social marketing uses tools and techniques from commercial marketing to change behaviours and improve wellbeing in areas such as health, sustainability and personal finances.

> Times are changing for market segmentation. Segmentation and behaviour change are colliding. Dramatic shifts in the technological landscape leading to the rise of the internet and social media have radically advanced the opportunity for data capture. In the business world, these changes have precipitated the rise of customer insight, analytics and CRM; an explosion of customer relationship building and affinity programmes; and a growing appreciation of the impact of big data and of the multi-faceted role of social media in consumers' lives. Beyond the commercial domain, the application and uses of segmentation are also changing.

> Segmentation is one of a growing number of commercial marketing tools increasingly used by governments and policy makers to solve the problems of society. These troubles encompass issues such as fuel poverty and unemployment that are linked to the economic meltdown; a host of health problems related to poor diets and excessive drinking; and even questions about how we can live more sustainable lives. Segmentation and other commercial marketing tools are now widely being used in conjunction with behaviour change programmes and interventions to tackle such difficulties. The UK Government's *Change for Life* campaign is an obvious example (http://www.nhs.uk/Change4Life/). The website includes a wide variety of healthy living initiatives, targeting adults, young people, families and parents. The emphasis is on encouraging people to take small, simple steps towards better living.

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[14] Sally Dibb is Professor of Marketing and Director of the Institute for Social Marketing at the Open University Business School, and a trustee of Alcohol Research UK. Her research interests are in marketing strategy, market segmentation and consumer behaviour. Sally has co-authored nine books and is co-chair of the Academy of Marketing's Special Interest Group in Market Segmentation. The Institute for Social Marketing (ISM-Open) is an Open University Business School research unit specialising in social marketing and behaviour change research. ISM-Open conducts projects for a range of public sector and academic funders, focusing on issues such as responsible drinking, quitting smoking, reducing personal debt and protecting the environment.

Those who are concerned about their drinking, for example, can download an app that checks their consumption, offers tips on cutting back, allows them to share their experiences via social media, and provides positive feedback to reinforce the progress they make in cutting their consumption.

Many such interventions build on the concept of 'Nudge'. UK policy makers have become particularly attached to this behaviour change approach, enthused by the possibility that the public can gently be encouraged into altering their behaviour in ways which will improve their own wellbeing and that of others. The government's *Behavioural Insights Team*, also known as the 'Nudge Unit', works with a range of public and private partners to apply ideas from behavioural science to policy design and delivery (https://www.gov.uk/government/organisations/behavioural-insights-team). Their work tackles a mix of areas, including health, energy use and sustainability, debt and charitable giving. In fact, Nudge is one of a number of behaviour change approaches that have emerged from the behavioural sciences and from consumer behaviour research. Many of the examples are within the *social marketing* field, which uses commercial marketing tools such as segmentation. Instead of using these tools to build brands or promote products, social marketers use them to change behaviour with the aim of improving the wellbeing of individuals and society. Health-related interventions concerned with smoking cessation, healthy eating or to reduce harmful alcohol consumption, are typical of such programmes. The current drive for 'greener' behaviour from businesses and the public is also leading to behaviour change applications dealing with sustainability. Just as for commercial organisations, segmentation is a powerful tool for those stakeholders responsible for identifying groups of citizens at which to target health or other wellbeing programmes.

This discussion explores segmentation's evolving journey in relation to *social marketing* applications, charting progress from a time of un-segmented interventions aimed broadly at the masses, through to increasingly sophisticated applications. Although in many respects such applications of segmentation still lag behind practices in the commercial sphere, good practice is increasing and technological advances are accelerating the pace of change.

The journey begins by reflecting on the 'old days' of health interventions, when behaviour change programmes were undifferentiated and broadly targeted. A more targeted application is then described, revealing how a relatively simple application of segmentation ideas can improve the effectiveness of health-related programmes. Using sustainability as a theme, the benefits of a more complex segmentation scheme are then considered. Finally, some new developments emerging as a result of rapid technological change are considered.

Health & Wellbeing: From One-Size-Fits-All to 'Simple' Segmentation

Last year my father was hospitalised following a heart attack. Before being discharged, we were asked to watch with him a video offering advice on appropriate diet for heart attack victims and suggestions for recovering fitness following such an attack. The video, which was at least ten years old, was narrated by Bill Tarmey of TV's *Coronation Street* fame. It can best be described as a 'one size fits all' piece, targeting the 'average' - very

unfit and overweight - heart attack patient. My father - a non-smoking, healthy-eating and enthusiastic hard walker - found it difficult to relate to the offered advice or to work out how he could use it to recover his previous high level of fitness. In fact, the only thing that he had in common with most of the patients featured in the video was the illness he had suffered.

In fairness, the video was a product of its time. Shortly after we watched it, Bill Tarmey died, so I am guessing - or rather hoping - that the materials have now been replaced in hospitals. Certainly, policy makers, governments and health professionals are becoming much more adept at developing segmented offerings for tackling health and social problems. These stakeholders recognise that behaviour change interventions must be based on deeper insights into how and why particular groups behave as they do. The logic for applying segmentation principles in conjunction with such behaviour change initiatives is, therefore, readily apparent.

Carefully segmented behaviour change interventions can be particularly valuable when trying to access communities which may otherwise be difficult to reach. A recent study examining the eating behaviours of Hindus and Sikhs is a good example (Zaidi et al., 2008). Researchers studied the eating behaviours of congregants at Hindu Temples and Sikh Gurdwara, focusing particularly on their salt and fat consumption. As part of the social life of such places of worship, there is often a communal sharing of food, with worshippers donating food which is then prepared by on-site cooks. By interviewing congregants, cooks and members of the management committees, a better understanding was developed of the social imperatives and eating practices linked with food and of the implications for behaviour change. For example, some congregants felt a social pressure to donate high fat foods. In the words of one Sikh congregant, "*…it has to be cooked in butter and ghee... It is because traditionally the more butter and ghee you use, the richer and better person you are*". A Sikh cook explained that those preparing the food felt that richer and saltier food was often preferred by those eating it, "*When we began putting less salt in, people started to complain about the taste*". The insights gained from probing these issues enabled better tailored messages to be devised. Healthy-eating messages delivered after prayers had taken place and which were designed to fit the religious teaching in the session, were found to be particularly effective. While this is an example of a very simple form of segmentation, the advantages of considering the particular needs, attitudes and behaviours of these communities and then tailoring the intervention accordingly, are plain to see.

Sustainable Living: A More Sophisticated Scheme

Reviewing a more sophisticated application of social marketing segmentation, reveals how behaviour change interventions can be more tightly tailored to fit the attitudes, behaviour and other characteristics of those they target. As part of its drive to promote more sustainable behaviours and greener living, DEFRA[15] recognised the need to proactively encourage the public to behave in more environmentally responsible ways.

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[15] Department for Environment, Food and Rural Affairs, part of the UK Government.

The starting point for such action was considered to be:

o   a better understanding of the public's attitudes towards environmental issues;

o   insight into the environmental behaviours currently being undertaken by the public;

o   an appreciation of the factors motivating such behaviour;

o   likely barriers to behaviour change and insights into how to overcome them.

The devised segmentation scheme was different from existing environmental segmentation schemes because it encompassed various areas of sustainable living. The seven population segments were more sophisticated than simple demographic segments, since they were generated from a number of variables linked to people's lifestyles, values, attitudes, current behaviours, motivations and perceived barriers to sustainable behaviours.

The segments were profiled according to their members' ability and willingness to take action. The demographic make-up of the segments, together with an understanding of the barriers to environmental behaviour change - such as cost, availability of alternatives, and lack of time - were also probed. As the description of the segments in the box below reveals, these insights provide vital clues for shaping the design of behaviour-change interventions.

DEFRA's Environmental Segments

- **Greens**

   "I try to conserve whenever I can... a lot of people don't think like that"
   Greens are driven by their belief that environmental issues are critical. They are well-educated on green issues, positively connected to arguments, and do not see environmentally friendly people as eccentric.

- **Consumers with a Conscience**

   "Going away is important... I'd find it hard to give up; well I wouldn't, so that [carbon off-setting] would make me feel better"
   Consumers with a Conscience want to be *seen* to be green.   They are motivated by environmental concern and seeking to avoid guilt about environmental damage.   They are focused on consumption and making positive choices.

- **Wastage Focused**

   "We now turn the thermostat down... This is to cut down the bill, but then you start to think about the environment as well"
   This group is driven by a desire to avoid waste of any kind. They have good knowledge about wastage and local pollution, although they lack awareness of other behaviours. Interestingly this group believes it is ethically separated from greens.

- **Currently Constrained**

   "I am on a restricted budget so I cannot afford organic food... When I earn more in the future I definitely will buy it"
   Currently Constrained want to be green, they just do not think there is much they can do in their current circumstances. They have a focus on balance, pragmatism and realism.

- **Basic Contributors**

    "Organic food – you pay twice the price and how can you be sure that it really is organic?"
    This group is sceptical about the need for behaviour change. It tends to think about behaviour relative to that of others and they are driven by a desire to conform with social norms. They have a low knowledge of environmental issues and behaviours.

- **Long Term Restricted**

    "I can't afford a car so I don't drive. I use the train instead"
    This group has a number of serious life priorities to address before they can begin to consciously consider their impact on the environment. Their everyday behaviours are often low impact for reasons other than environmental.

- **Dis-interested**

    "Those Greenies, they're too concerned about the environment... they need to chill out, live a little"
    This group displays no interest or motivation to change their current behaviours to make their lifestyle more pro-environmental. They may be aware of climate change and other environmental issues, but this has not entered their current decision making processes.

    Source: DEFRA (December 2006), *An Environmental Behaviours Strategy for DEFRA: Scoping Report*, Derived from Box 4 and Figure *The Seven Population Segments* and Figure 9 *Positioning of Segments: Ability and Willingness to Act*, pp. 32-33, *Department for Environment, Food and Rural Affairs*, London.

Having developed clearer insight into the factors that motivated positive environmental behaviour and those which acted as barriers, the team behind the segments identified a series of behaviour goals. They recognised that while some of these goals could be tackled through interventions that were broadly aimed at the public, others should be designed with specific segments in mind. Among the behaviour goals that were identified as suitable for the public in general, were initiatives to install insulation, waste less food, increase recycling, use water more responsibly and improve management and use of energy. Some of the segment specific goals, which are based on the ability and willingness to act, include:

o *Waste focussed segment:* As these individuals are already focused on efficiency, suitable behavioural goals are those which emphasise saving money, cutting waste (such as through home composting) and supporting local products.

o *Greens:* Given this group's interest in actions which will have positive environmental outcomes, appropriate goals focus on growing the market for goods and services which are pro-environmental, such as switching to greener energy or flying less. As this group is positioned as having the highest ability and willingness to act of the segments, they also have the greatest number of goals.

o *Currently constrained:* This group is quite limited in its ability to act, yet can still be motivated to avoid commodities which have a major environmental impact. As limited resources can be a major issue for these people, they are also more open to buying more durable items and proactively reusing and repairing, rather than replacing.

Future Fast Forward: Lifelogging and the Segment of One

In commercial circles there has been much debate about the so-called 'segment of one'. Yet it is in the areas of health and wellbeing that great strides are currently being made. The much vaunted ability of mobile and interactive technologies, such as apps on palm-top computers and smart phones, to gather behavioural data and has precipitated the development of commercially available behaviour change apps, including those which promote health. *RunKeeper* is one of many available apps for smartphones that measures fitness, enabling individuals to monitor their performance and progress over time. The app keeps track of activities including running, cycling and hiking, monitoring the distance travelled and sets customised goals for users based on their overall fitness aims. Tracking progress towards these goals provides users with positive reinforcement which motivates them to continue with their activities. Similarly, those seeking to lose weight can turn to a host of slimming apps, such as *Diet Assistant*, which offers diet plans according to users' weight loss targets, tastes and lifestyles. It is significant, perhaps, that Weight Watchers recently blamed their share fall and profit warning on business lost to free electronic apps.[16]

Even so, there remains considerable untapped potential for mobile, interactive technologies such as apps on palm-top computers and smartphones, to gather insights which can become the basis for well-targeted behaviour change interventions. Such devices enable cost-effective and minimally invasive data capture and the efficient sharing of that information. In a recent paper, Cohn *et al* (2011: 1) speak of the advantages of, "*...measuring cognitive, behavioural, and affective phenomena as they occur in natural settings and in, or near real-time*". Although their work specifically concerns changing alcohol use behaviour, the benefits of these approaches over more traditional data gathering methods mean they could be readily applied to other behaviour change settings. Among these benefits are (i) actual behaviour is measured, so the recall problems reported when people report on their actions are eliminated; (ii) because data can be gathered continuously over a long timeframe, rarer behaviours that might otherwise be missed can be captured; and (iii) they allow time sequencing of behavioural antecedents and outcomes, so that the relationship between these factors can be better understood (Cohn *et al.*, 2011).

There is the potential, therefore, to elevate the application of segmentation principles to a more sophisticated level, incorporating the ideas of mass customisation and the so-called 'segment of one'. Such approaches might involve targeted highly tailored behaviour change interventions at individuals, according to their revealed patterns of behaviour. Just as Amazon offers customers personalised suggestions of 'other book' titles they might like to buy, behaviour-change programmes could be customised to suit those they target within the selected segment.

The opportunities created by 'life-logging' are especially potent. Based on the notion of 'total capture' of personal information, these approaches archive personal data through

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a variety of technologies, including mobile phone communications, GPS monitoring, wearable sensors, online and other credit/debit card transactions, and social media activity. As Sellen and Whittaker, (2010: 72) explain,

> *…we can capture activities away from the computer, out of the office, in the everyday world. Key to it all is that many everyday activities can be captured automatically and comprehensively through digital tools that allow us to not only store important content, but also contextual details of the activities to help access the content later.*

The following description illustrates the kind of profile that could be developed and offers insights into the nudge-type interventions that might stem from it:

> 28 year old Jo lives with her partner in a small townhouse on the outskirts of Milton Keynes. Recently she has been on a fitness and healthy eating drive. As part of this drive she has reduced how much she travels by car, is cycling and walking more, and takes the bus whenever she can. Jo is using a smartphone app to log her movements so that she can assess the progress she is making. The app records how many steps she takes, how far she has walked or cycled and the distance she has travelled. She also uses it to record what and when she eats, so that she can build up a broader profile of her fitness. A side benefit of the app is that it records the sustainability of her travel and eating choices, although this was not the reason that Jo subscribed.
>
> After walking to the bus stop on Monday morning, Jo is soon on board the electric bus that transports her to work. As she sits on the bus, Jo uses her smartphone to compare her activity levels with other women in the area of a similar age, socio-economic group and family status. A comparison of the sustainability of her travel choice is also shown. Through this feedback, Jo realises that her activity levels are within the top ten per cent for her group and is pleased that her efforts over recent weeks have improved her fitness. She also feels satisfied that her decision to stop travelling to work by car means that her travel behaviour is more sustainable. Spurred on by the positive feedback she has received, upon arriving at work in the centre of town, Jo decides to take the stairs instead of the lift and even contemplates cycling to work tomorrow. At lunch time, she uses her smartphone to scan her sandwich pack and juice bottle, capturing their nutritional and calorific values. The app instantly offers several healthy suggestions for dessert, showing the impact of each on Jo's daily calorie consumption. Although Jo decides to skip pudding for now, she knows that the data will be available for her to peruse on her iPad when she returns home. She can always have the pudding then instead!

This example is the tip of a tantalising iceberg, hinting at the potential of apps and mobile technologies to shape behaviour change. The voyage described here has shown how segmentation, a commercial marketing tool, has moved beyond the commercial marketing domain to widespread use in interventions that aim to solve society's ills. The rate of adoption in social marketing strategies has been both rapid and accelerating, with sophisticated segmentation schemes being used in a relatively short timeframe. Looking forward, opportunities unlocked by approaches such as lifelogging, suggest that in relation to behaviour change interventions at least, the ability for individualised propositions within targeted segments has arrived.

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7. Conclusions

- Ready access to data enables faster creation of segmentations and the testing of propositions to take to market. *Big data* across numerous types of base variables has made the re-thinking of target market segments and value propositions inevitable, desirable, faster and more flexible. The resulting information has presented companies with more topical and consumer-generated insights than ever before, providing customer engagement intelligence as never previously possible. Many marketing teams, analytics directors and leadership teams feel over-whelmed by the sheer quantity and immediacy of such data. As a result, segmentation is both helping focus the analysis of these market and customer data and is being shaped by the resulting insights.

- CEOs, CFOs and COOs are increasingly the sponsor for segmentation projects, rather than CMOs. CEOs because recession has forced re-engineering of value propositions and the need to look after core customers; CFOs because segmentation leads to better and more prudent allocation of resources – especially NPD and marketing – around the most important sub-sets of a market; COOs because they need to better look after key customers and improve their satisfaction in service delivery.

- Analytical prowess in consultants and inside client companies has benefited from a step-change, using new heuristics and faster computing power, more topical data and stronger market insights. The approach to segmentation is much smarter and has stretched well away from the days of limited types of data simply using cluster analysis, deriving less than a dozen macro segments.

- The coverage of the solutions and the potential number of segments are unimaginable when compared to the practices of a few years ago. Then, any number of between six to ten segments were forced into segmentation solutions, in order to meet 'rules' that were enforced to enable macro groups of customers to be managed, so that an organisation could cater for them operationally as well as understand intellectually the requirements of these macro segments.

- This progression has led to the advent of what is commonly recognised as micro segmentation, where the complexity of business operations and customer management requires highly granular thinking. In support of this development, traditional agency/consultancy roles began to transition into in-house business teams led by data, campaign and business change planners.

- The challenge has shifted from developing a granular segmentation solution that describes all customers and prospects, into one of enabling an organisation to react to the granularity of the solution, deploying its resources to permit controlled and consistent one-to-one interaction within segments. So whilst the cost of delivering and maintaining the solution has reduced with technology advances, a new set of systems, costs and skills is required to deliver on this promise in channel and execution management capabilities.

- These new capabilities range from rich feature creative and content management solutions, tailored copy design and deployment tools, through to instant messaging middleware solutions that initiate multi-streams of activity in a variety of analytical engines and operational systems, from a single input signal or system change.

- So many projects set up to consider multi-channel strategy and offerings; digital marketing; customer relationship management; brand strategies; new product and service development; the re-thinking of value propositions, and so forth, now routinely commence with a segmentation piece in order to frame the ongoing work.

- Most organisations have deployed CRM systems and harnessed associated customer data. These insights help inform the segmentation agenda and refine how they engage with their important customers or prospects. However, there is growing evidence that effective CRM depends on there first being a clear segmentation and awareness of priority audiences on which to focus CRM activity. The take-off of CRM undoubtedly renewed interest in segmentation.

- Practitioners in the public and not-for-profit sectors have harnessed what has come to be termed social marketing (not to be confused with social networking), in order to develop and to execute more shrewdly their targeting, campaigns and messaging. For Marketing *per se*, the interest in the marketing toolkit from non-profit organisations, viewed as part of the rise in interest in social marketing, has been big news in recent years. At the very heart of the concept of social marketing is the market segmentation process.

- The extreme rise in the threat to security from global unrest, terrorism and crime has focused the minds of governments, security chiefs and their advisors. As a result, significant resources, intellectual capability, computing and data management have been brought to bear on the problem. The core of this work is the importance of identifying and profiling threats and so mitigating risk. In practice, much of this security and surveillance work harnesses the tools developed for market segmentation and the profiling of different consumer behaviours.

- Related to digital marketing and big data, companies have recruited analytics and insight teams, often headed by senior personnel such as an Insight Manager or Analytics Director. Indeed, the situations-vacant adverts for such personnel out-weigh posts for brand and marketing managers. These teams, harnessing digital channels and social media, have endorsed the expectations amongst their peers and senior management teams for speedy topical insight enabling well-honed product development, campaigns and retention strategies. A side benefit is that far more companies now possess the in-house expertise necessary to help with segmentation analysis.

- Some organisations are now seeking to monetise one of the most regularly under-used latent business assets... data. Developing the capability and culture to bring data together from all corners of a business, the open market, commercial sources and business partners, is a step-change, often requiring a Chief Data Officer. This emerging role has also driven increasingly professional and visible approaches to the exploration of data, using more varied and sophisticated statistical techniques.

- Largely as a result of the digital era and growth of analytics, directors and company leadership teams are becoming used to receiving extensive market intelligence and quickly updated customer insight, so leading to faster responses to market changes, customer issues, competitor moves and their own performance. This frequent refreshing of insight and a leadership team's reaction often result in modified target market strategy and segmentation decisions.

The underlying motivations for embarking on segmentation are today different, those seeking these strategic insights frequently are not traditional marketers, the available data and heuristics are significantly more varied and advanced compared with a few years ago, and the markets in which segmentation is deployed are much more diverse than ever before. Segmentation is routinely part of the fabric of an organisation's activities, underpinning other strategic initiatives and guiding business improvement.

So, watch out for segmentation… it is more widespread, flexible, directional and sophisticated than ever before!

8. Recommended Readings

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The Henley Centre for Customer Management

The primary objective of the Henley Centre for Customer Management is to promote customer focus and service excellence best practice through observing practice in leading companies and synthesising this into useful knowledge that helps members to improve their own customer management and customer service plans and implementations.

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