Data Analytics:
A Marketing Segmentation Case Study

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The Iterative **Process** Cycle

- Data Preparation & Exploration
- Goal of Analysis
- Performance Assessment
- Analysis

Understand the world. Expand your world.
Segmentation Methodology – A(nother) Process

1. Identify Business Issues
2. Clarify Scope and Dimensions
3. Generate and Refine Hypotheses
4. Decide on Data to use / Collect Needed Data
5. Build the Segmentation Framework
6. Link to Marketing & Business Strategy
A Segmentation (micro-)Process

- Segmentation solution is created through a rigorous and iterative process

Data Processing/ Factor Analysis → Cluster analyses → Review and refine
Why Segmentation?

- **Segmentation** is a critical enabler to achieve business objectives and realize benefits.
- **Segmentation** is critical to identify white spaces for new products/offerings.
- **Segmentation** helps organizations to optimize their retention and acquisition strategy.
- **Segmentation** is often used to optimize pricing across different products.
- **Segmentation** enables organizations to become more customer-centric.
- **Market Dynamics** make segmentation critical to business success.
Questions You Might Hear…

These are only some of the issues that clients may raise that clue you in to appropriateness of segmentation.
Different Types of Data Used

WHAT are they doing?
- Product usage & Loyalty
- Brand awareness
- Price paid, SoW, Frequency

HOW are they doing it?
- Purchase & shopping behaviors
- Key influencers

WHO are they?
- Lifestyle & lifestage
- Geography
- Industry type (B2B)

WHEN & WHERE are they doing it?
- Purchase & usage occasions

WHY are they doing it?
- Category needs, desires & beliefs

There are different ways you can segment a market, which result in different ways in which the segmentation can be used.

Understand the world. Expand your world.
Often different data sources will be combined in one segmentation.

<table>
<thead>
<tr>
<th>Primary Data (Qual and Quant)</th>
<th>Customer Data</th>
<th>3rd Party Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample variables:</td>
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</tr>
<tr>
<td>• Behavioral</td>
<td>• Product/Service Usage</td>
<td>• Lifestyle</td>
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<tr>
<td>• Satisfaction</td>
<td>• Subscription</td>
<td>• Behavioral</td>
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<tr>
<td>• Preferred communication channels</td>
<td>• Features usage</td>
<td>• Demographics</td>
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<td>• Preferred engagement level</td>
<td>• Social Network integration</td>
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<td>• Attitudes about the industry</td>
<td>• Demographics</td>
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<td>• Acquisition channel</td>
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Customer Data

Sample variables:

• Behavioral
• Satisfaction
• Preferred communication channels
• Preferred engagement level
• Attitudes about the industry

3rd Party Data

Sample variables:

• Lifestyle
• Behavioral
• Demographics

Understand the world. Expand your world.
Overview of segment attitudes

Novices

Who they are
- Rely more on expert opinion than their own
- Boating helps them escape from everyday life and relax
- Boating gives me a feeling of adventure

Who they are not
- Not considered knowledgeable about boating
- Boating is not their true life passion
- Boating is not the #1 activity they do in their spare time

No Frills

Who they are
- Functionality is more important than style
- Perform repairs and maintenance on their boats
- Tend to prefer a boat with little to no frills

Who they are not
- Do not go for the latest and greatest boat
- Having a powerful boat is not as important to them
- Do not see the boat brand as saying a lot about who they are

Status Seekers

Who they are
- Willing to pay a premium for a brand with a reputation for high quality
- Buy the latest and greatest boats
- View their boat as a status symbol

Who they are not
- Do not choose functionality over style
- Do not prefer a basic boat with little to no thrills
- Do not perform repairs and maintenance on their boats

Active Family Boaters

Who they are
- Boating helps them stay active
- Boating allows them to excel in sports they’re passionate about
- Boating gives me an outlet to socialize with family and/or friends

Who they are not
- The lowest price is not more important than boat brand
- Do not prefer a basic boat with little to no frills
- Do not rely on expert opinion other than their own

Price driven Lifestylers

Who they are
- Boating is their true passion in life
- Consider themselves more knowledgeable than their boating peers
- Boating is the #1 activity they do in their spare time

Who they are not
- Boating is not a means to escape from everyday life and relax
- Boating does not provide them with a sense of adventure
- They do not consider owning a boat as a way of rewarding themselves for hard work
## Overview of segments

<table>
<thead>
<tr>
<th>SEGMENT 1:</th>
<th>SEGMENT 2:</th>
<th>SEGMENT 3:</th>
<th>SEGMENT 4:</th>
<th>SEGMENT 5:</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOATING DNA</td>
<td>ACTIVE SOCIAL BOATERS</td>
<td>IMAGE CONSCIOUS BOATERS</td>
<td>FUNCTION-FIRST BOATERS</td>
<td>CASUAL BOATERS</td>
</tr>
</tbody>
</table>

**Young, adventurous, active. This segment considers boating as part of their identity, and wants a boat they can customize — it’s better for entertaining and fishing on their own terms. They do extensive research on social media sites as well as with more traditional means like brochures and pro angler guides. While these boaters are price-conscious, they make up the most valuable segment of the population.**

**For Active Social Boaters, being on the water is not the time for relaxing; it’s all about the activities. This segment uses their boat to engage in as many activities separable with their spouses and kids. They look for durable boats that can handle frequent usage, and keep their precious cargo safe at the same time. Active Social Boaters prefer a dealer that will teach them how to operate and maintain their jet boat or cruiser. That way, this segment has the know-how to keep their boat performing at its best.**

**Image Conscious Boaters love to cruise on their boat and entertain their significant others, family, and friends. A professional-grade, cutting-edge, and prestigious boat shows the world that they have arrived. While they have owned boats in the past and consider themselves to be intermediate level, they prefer a trustworthy dealer who gives them the attention they deserve.**

**To the Function-First Boaters segment, the most important element of a boat is that it works well. They steer clear of gadgets and accessories that get in the way of their enjoying the outdoors. They like to perform minor repairs and maintenance themselves on their boat, both because they enjoy it and because they want to get it back on the water. They tend toward sturdy boats that are durable and a good value.**

**When it comes to boating, these consumers want their purchase to feel safe and easy to use. It’s important that they buy a reputable brand from a knowledgeable salesperson. For Casual Boaters, boating is all about cruising with their families. They research boats online, and ultimately make the final purchase decision with their spouses.**

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Overview of segments

OVERVIEW: ACTIVE SOCIAL BOATERS

PURCHASE & EXPERIENCE

1. PROFESSIONAL
   - A brand for people who are serious about boating
   - It's recommended by people I trust
   - Teaches how to operate and maintain your boat
   - Helps me get the best financing options

2. DURABILITY
   - Options built to handle frequent and heavy use

3. SAFETY
   - Options built with safety features
   - Options built that my family and I can move around safely

EXPERIENCE & USAGE

WHO THEY BOAT WITH

- 146% alone
- 75.5% with significant other
- 70.4% family (including kids)
- 57.3% friends

NEW BOAT SELLERS THEY WOULD CONSIDER BUYING FROM (%) OF TOTALS

- Beginner: 25%
- Intermediate: 65%
- Advanced: 10%
- Expert: 10%

ACTIVITIES AND FREQUENCY

- Sailing: 85%
- snorkeling: 55%
- boating with friends: 45%
- boating with family: 30%
- boating alone: 10%

REVENUE CONTRIBUTION

- 11% revenue contribution

AGE DISTRIBUTION

- 25% under 35
- 28% 35-44
- 26% 45-54
- 21% 55-64

SEGMENTS SPLIT

- 45% up
- 55% down

VENDORS / MARKETS SPLIT

- 65% power
- 35% sail

INDEX AGAINST SAMPLE AVG.
Perceptual Maps

Rationale:

- brand portfolio was assessed within each segment to determine brand strength, current penetration/share, perception on key segment drivers vs. key competitors
- Strategic intent and current positioning of the brand was also considered in the recommendation

Note: segment size based on revenue contribution
## Overview of segments

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<tr>
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<th>Strategic Target Segment</th>
<th>Proactive Source of Volume</th>
<th>Non-Target, But Potential Volume</th>
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<tr>
<td><strong>Bayliner</strong></td>
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<td><strong>Sea Ray</strong></td>
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<td><strong>WHALER</strong></td>
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<td><strong>Crestliner</strong></td>
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<td><strong>Lund</strong></td>
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<td><strong>Lowe Boats</strong></td>
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<td><strong>Harris</strong></td>
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<td><strong>Princecraft</strong></td>
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<td><strong>Cypress Cay</strong></td>
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<td><strong>Meridian Yachts</strong></td>
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<td><strong>Trophy</strong></td>
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Understand the world. Expand your world.
Link to Business Strategy

• Developing the appropriate strategy to go after identified target segments is key for every business

1. **BRAND PORTFOLIO & ARCHITECTURE STRATEGY**
   - Helps map out brands in the portfolio relative to meaningful/profitably attractive customer segments
   - Provides customer view of the business and brands and clarifies brand’s perceptual license to extend

2. **BRAND IDENTITY & POSITIONING STRATEGY**
   - Makes the link between brand associations and customer activity/behavior
   - Critical input to developing positioning platforms

3. **MARKETING EFFECTIVENESS**
   - Input to assessing customer purchase funnel in order to optimize investments relative to priority segments
   - Helps target profitable customer segments

4. **CUSTOMER EXPERIENCE**
   - Ensures that the experience is tailored to relevant customer segment needs
Link to Business Strategy

• Just building the segmentation is only half the battle

1. Product/Offer
   - Breadth & Depth of Offer
   - Product Requirements
   - Product Naming & Architecture

2. Pricing/ASS
   - Pricing & Financing
   - Customer Service & Support
   - Maintenance & Repair

3. Marketing/Brand
   - Marketing Communication
   - Events
   - Licencing

4. Dealer/Channel
   - Channel Store/Environment
   - Inventory Management
   - Dealer Network
   - Dealer Relationship Building

Understand the world. Expand your world.
Use of purchase funnels and regression modeling allows us to derive key drivers based on brand attributes.

Full list of brand attributes will be grouped to factors:
- Price
- Claim & Customer service
- Coverage
- etc.

E.g. Claim & Customer service:
- Gives me personalized coverage
- Gives me personalized service
- Interacts with me using a personal touch
- Offers fair claims settlements
- Ensures that claims will be resolved to my satisfaction
- Offers individual consultation
- Etc.

From the funnel section we are able to learn which are the critical bottlenecks across the purchase process by country.

Therefore, to determine what the key attributes are, we analyze which attributes drive customers through these specific bottlenecks by country.
What Makes a “Good” Segmentation?

Many different evaluation systems exist. Most deem a segmentation good if it meets these criteria.
Key Tenants on Segmentation

• No one segmentation approach will work in all situations.
• The value in segmentation does not come from the segmentation solution but from the programs leveraging this solution.
• Segmentation should be “customer-in” versus business- or product-out.
• There is both a science and an “art” to designing and evaluating a successful segmentation.
• Segmentation is the foundation for distinctive and sustainable competitive advantage.
How a customer segmentation led to a new product category in the automotive sector

With a tradition of producing small and mid-size general-purpose cars, Peugeot’s conservative European focus made it blind to the shift in global customer demand.

As a result, the Peugeot was one of the last of the big carmakers to enter the market. With SUVs currently making 10% of European car sales and growing, this was a big mistake for Peugeot, who now only has 1% market share and has suffered a double-digit global sales decline over the past five years.
How a customer segmentation led to new value propositions

Created a segmentation to understand the nuanced needs, attitudes and behavioural

Used the different customer segments to develop tailored value propositions.

Identified HelpPoints that could create sustainable differentiation that would be difficult to compete away.
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