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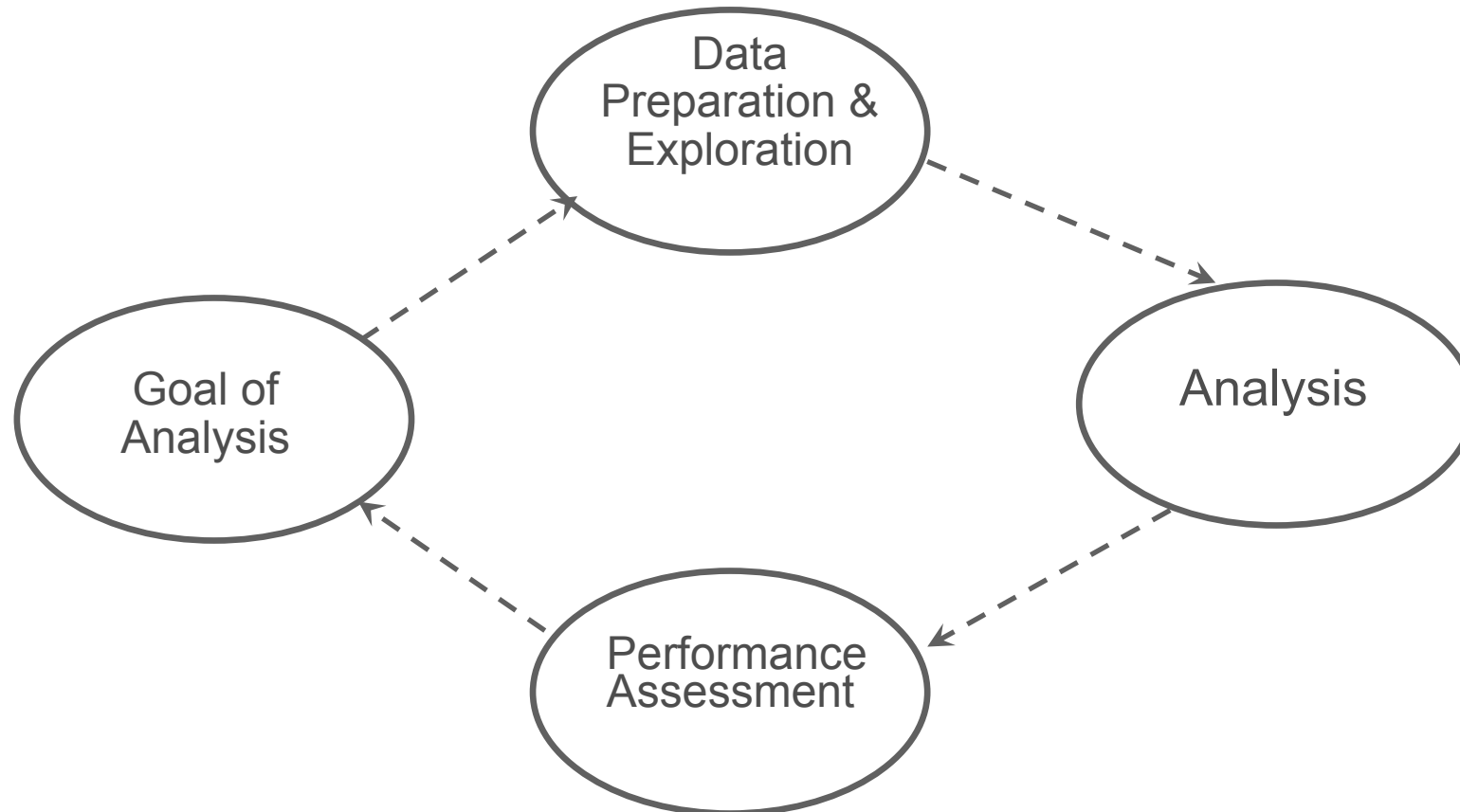
Data Analytics: A Marketing Segmentation Case Study

T. Evgeniou, INSEAD

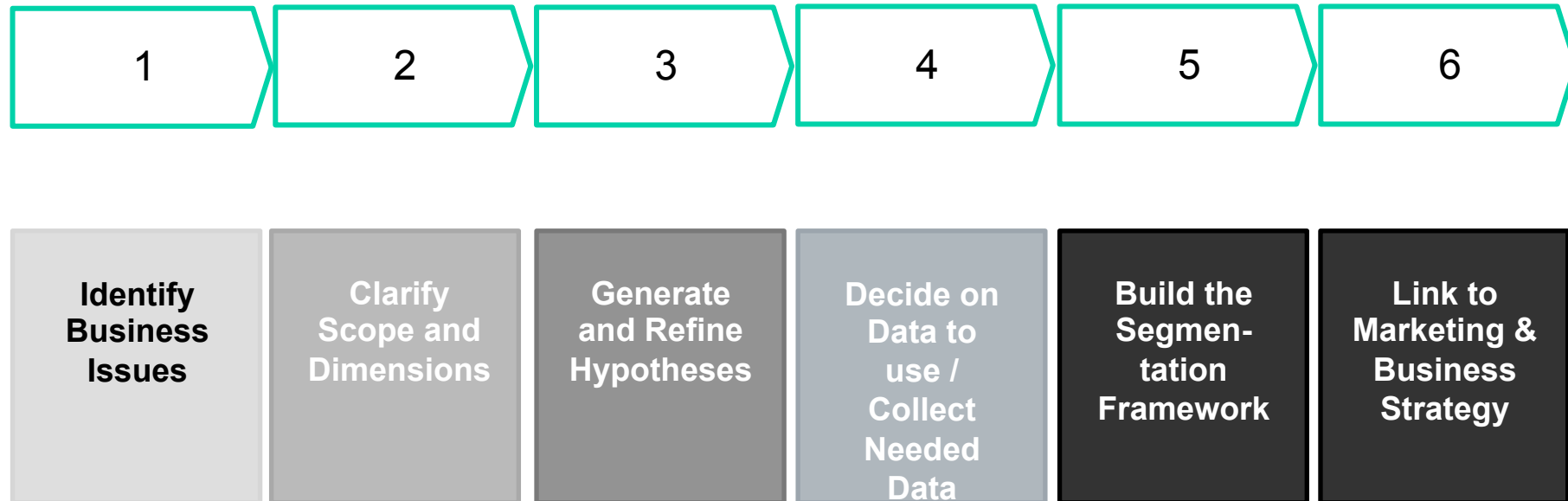
J. Niessing, INSEAD

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The *Iterative Process Cycle*



Segmentation Methodology – A(nother) Process



A Segmentation (micro-)Process

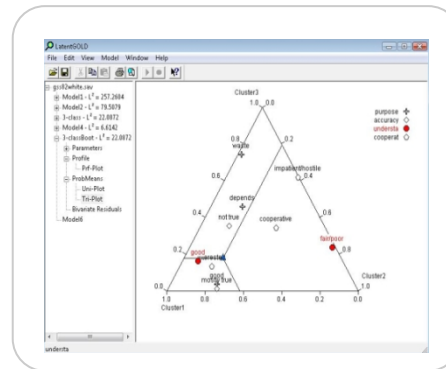
- Segmentation solution is created through a rigorous and iterative process

Data Processing/
Factor Analysis

Cluster analyses

Review and refine

Component	Component	2	3	4	5	6	7	8	9
leader in fixed income inv	0.764								
leader in asset allocation	0.749								
leader in equity investing	0.744								
leader in international inv	0.732						0.357		
leader in alternatives	0.551	0.426							
stable company	0.754								
reliability	0.601								
highly rated by third party	0.591	0.601					0.439		
a long term focus	0.520								
a long term investment	0.508								
rides excellent service	0.466	0.35	0.397						
easy to do business with	0.417	0.402	0.389						0.304
smart	0.338	0.435							
clear difference in value	0.708								
company for people like me	0.483	0.666							
lets me face confidence	0.428	0.551							
rides complex evidence	0.304	0.321	0.432						
more financial understand	0.328	0.323	0.446	0.304					
rides superior investment	0.36	0.366	0.332	0.321					
a an independent perspective	0.439	0.474		0.449	0.384				
s best in class investment	0.348	0.408	0.302	0.408					
is innovative company	0.371	0.408	0.302	0.408					
a socially responsible company	0.449			0.449					
are not with interests									
is superior / interests first									
a quality experience	0.312			0.373	0.474				
a keen understanding of it	0.398			0.37	0.521				
is a top tier									
is a top tier									



Insurance Service/Channel/ Communications Attitudes
Attitudes toward Service/Channel/Communications (Fig. 2. Four Agreements)

	Mean	Strongly Disagree	Disagree	Agree	Strongly Agree
I prefer to buy insurance from someone who understands my business	4.67	4%	14%	64%	18%
A fast and easy claims process is essential for my company	4.21	6%	14%	60%	20%
It is important that I can fully trust the insurance advisor	4.15	10%	14%	61%	15%
I prefer to deal with one insurance contact person to avoid going to our business	3.94	10%	14%	64%	12%
The insurance firm needs to be more transparent and easier to understand than today	3.93	10%	14%	60%	16%
The insurance manager I interact with can give feedback to the insurance company	3.92	10%	14%	57%	19%
The insurance company's process (application, underwriting and loss) is computerized than before	3.91	10%	14%	57%	19%
I need to establish a long-term relationship with the insurance provider	3.89	10%	14%	58%	18%
The advisory service plays a big role for my company	3.88	10%	14%	64%	12%
All insurance information needs to be accessible online	3.75	10%	14%	57%	19%
We need an exclusive insurance advisor to get	3.74	10%	14%	61%	15%
My insurance advisor should proactively reach out to me on a regular basis	3.73	10%	14%	60%	16%
I do not want to be involved in the details of the claims process	3.69	10%	14%	57%	19%

Legend: 4 (Highly Agree), 3 (Agree), 2 (Disagree), 1 (Strongly Disagree)

Why Segmentation?

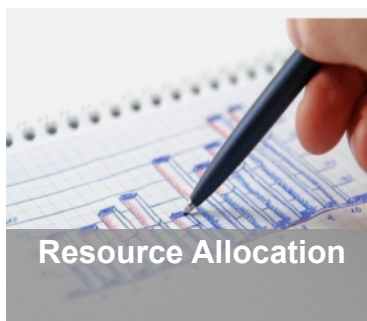
- **SEGMENTATION** is a critical enabler to achieve business objectives and realize benefits
- **SEGMENTATION** is critical to identify white spaces for new products/offerings
- **SEGMENTATION** helps organizations to optimize their retention and acquisition strategy
- **SEGMENTATION** is often used 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...

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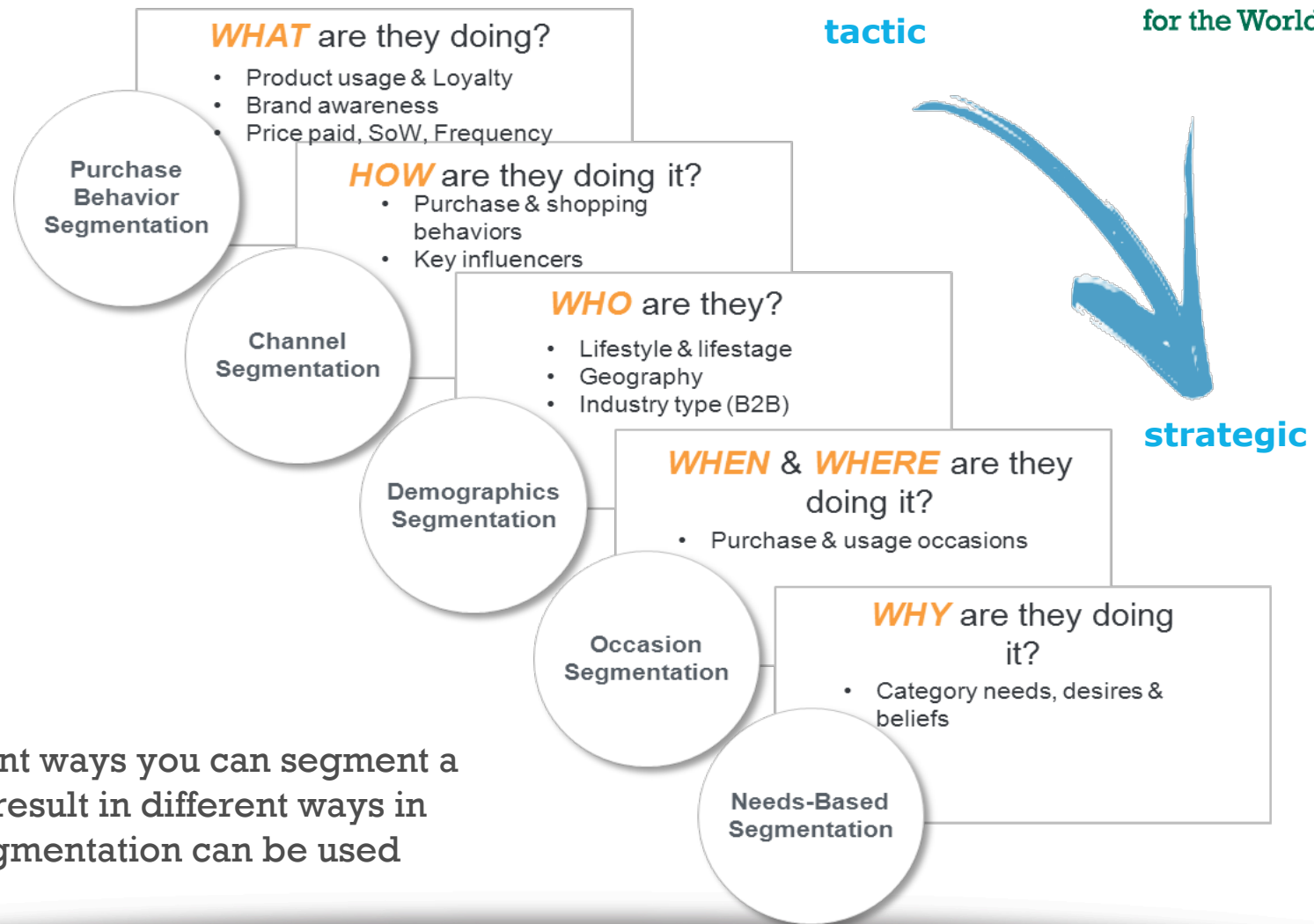
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These are only some of the issues that clients may raise that clue you in to appropriateness of segmentation



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Different Types of Data Used



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

Often different data sources will be combined in one segmentation

Primary Data (Qual and Quant)

Sample variables:

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

Customer Data

Sample variables:

- Product/Service Usage
- Subscription
- Features usage
- Social Network integration
- Demographics
- Acquisition channel

3rd Party Data

Sample variables:

- Lifestyle
- Behavioral
- Demographics



Overview of segment attitudes

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1
Novices

% Total Population: 17%
% US Population: 18%
% Brazil Population: 6%
% Canada Population: 18%

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

2
No Frills

% Total Population: 23%
% US Population: 29%
% Brazil Population: 5%
% Canada Population: 19%

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

3
Status Seekers

% Total Population: 20%
% US Population: 19%
% Brazil Population: 29%
% Canada Population: 18%

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

4
Active Family Boaters

% Total Population: 9%
% US Population: 10%
% Brazil Population: 7%
% Canada Population: 10%

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

5
Price driven Lifestylers

% Total Population: 31%
% US Population: 25%
% Brazil Population: 53%
% Canada Population: 33%

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

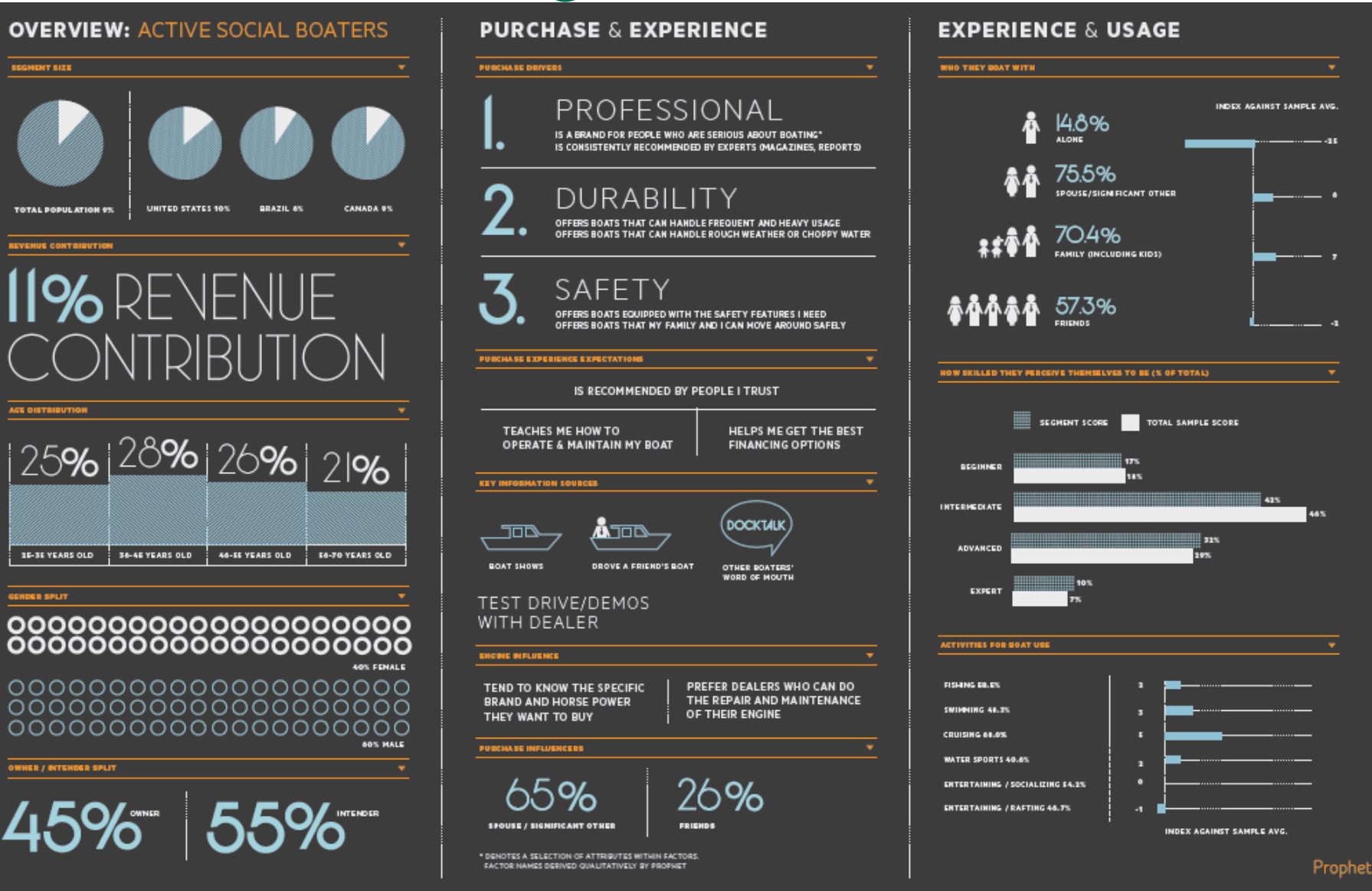
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SEGMENT 1: BOATING DNA	SEGMENT 2: ACTIVE SOCIAL BOATERS	SEGMENT 3: IMAGE CONSCIOUS BOATERS	SEGMENT 4: FUNCTION-FIRST BOATERS	SEGMENT 5: CASUAL BOATERS
				
<p>Young, adventurous, active. This segment considers boating as part of their identity, and wants a boat they can customize — the 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 our population.</p>	<p>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 as possible with their spouse 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.</p>	<p>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 at an intermediate level, they prefer a trustworthy dealer who gives them the attention they deserve.</p>	<p>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.</p>	<p>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.</p>

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Overview of segments

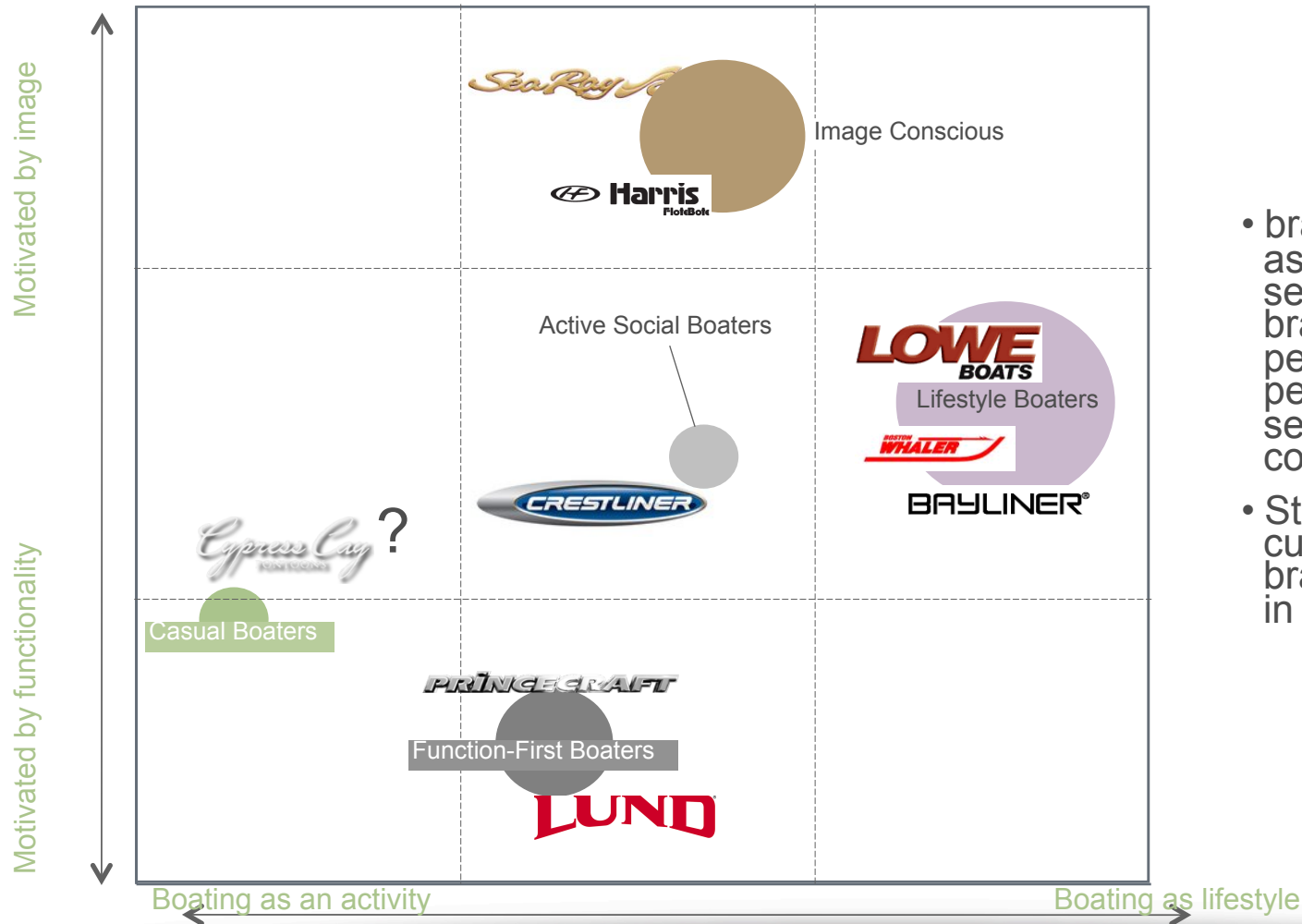


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Perceptual Maps

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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

	STRATEGIC TARGET SEGMENT 	PROACTIVE SOURCE OF VOLUME 	NON-TARGET, BUT POTENTIAL VOLUME 		
	CASUAL BOATERS	FUNCTION-FIRST BOATERS	IMAGE CONSCIOUS BOATERS	ACTIVE SOCIAL BOATERS	BOATING DNA
BAYLINER					
Sea Ray					
WHAALER					
CRESTLINER					
LUND					
LOWE BOATS					
Harris					
PRINCECRAFT					
Cypress Cay					
MERIDIAN YACHTS					
TROPNY					

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Link to Business Strategy

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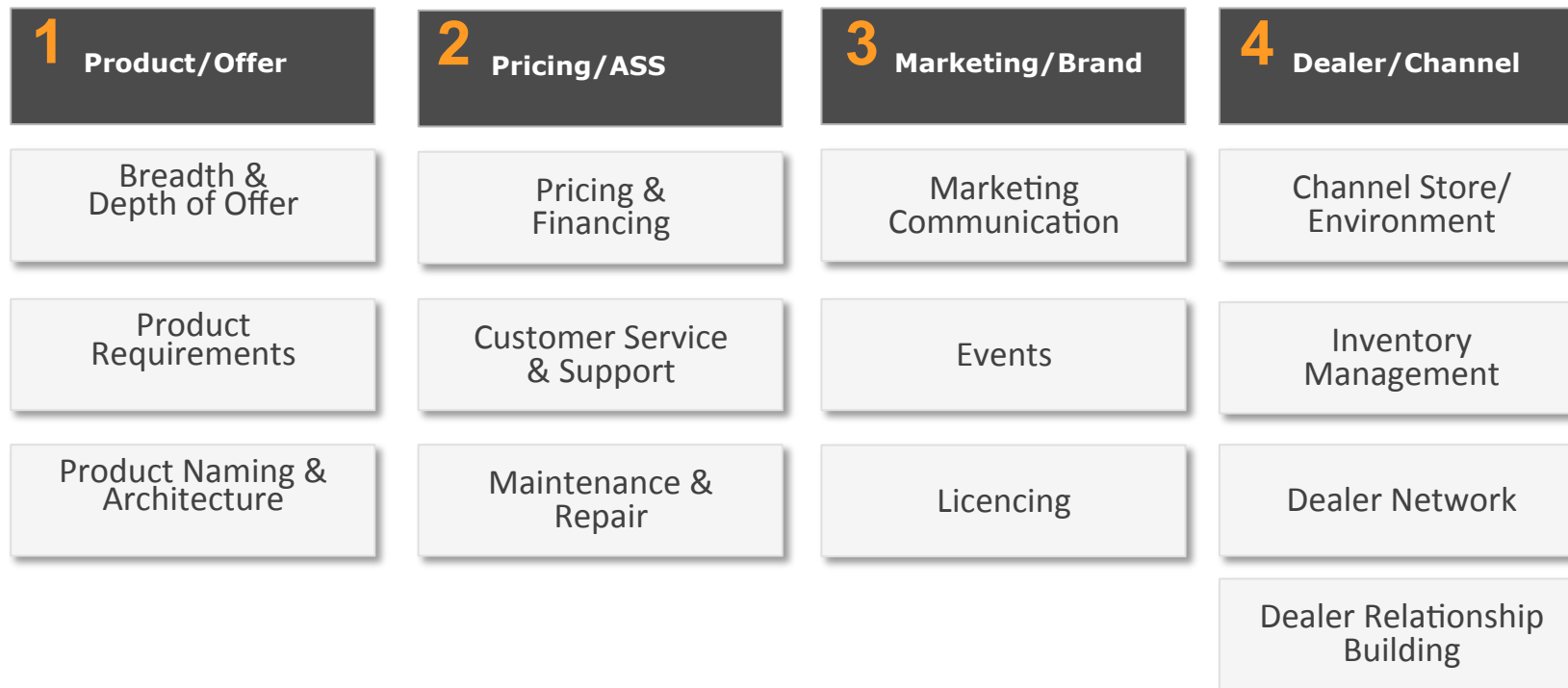
- Developing the appropriate strategy to go after identified target segments is key for every business



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Link to Business Strategy

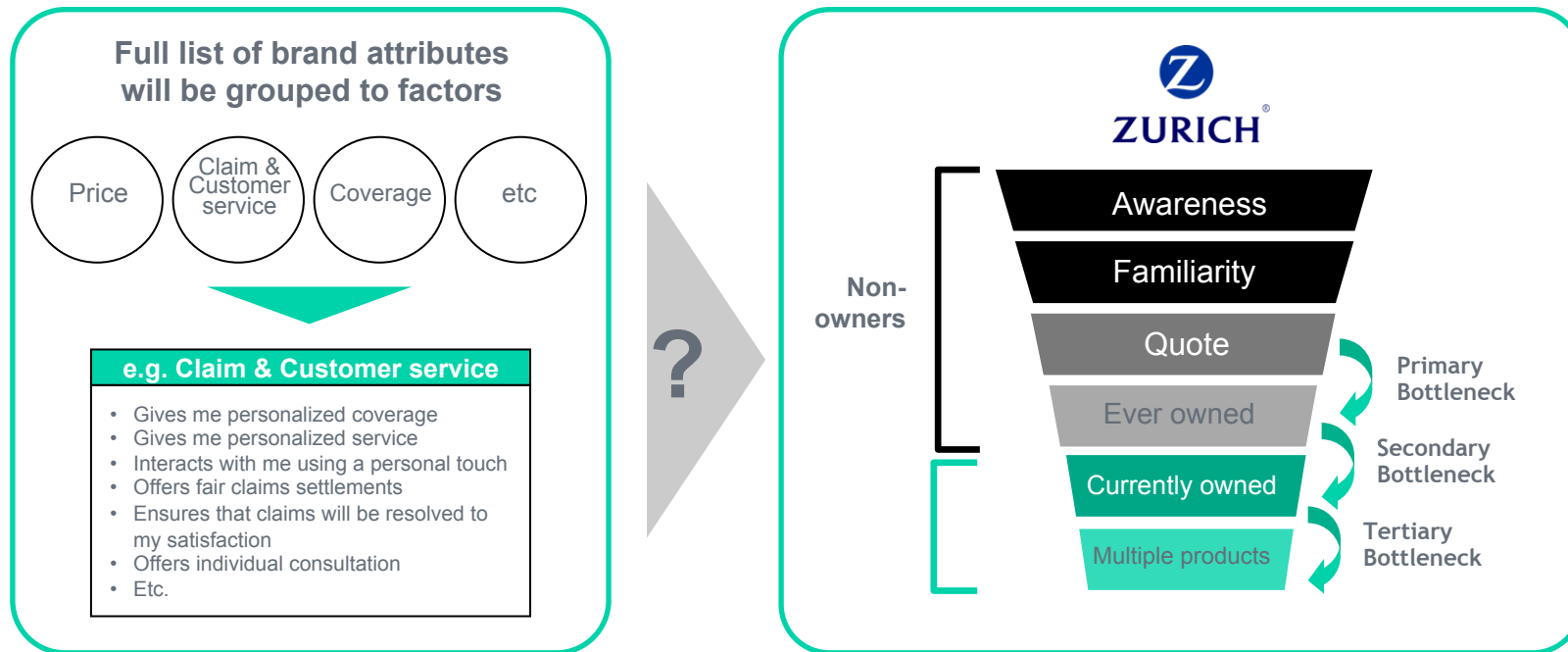
- Just building the segmentation is only half the battle



Use of purchase funnels and regression modeling allows us to derive key drivers based on brand attributes

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- 1 From the funnel section we are able to learn which are the critical bottlenecks across the purchase process by country
- 2 Therefore, to determine what the key attributes are, we analyze which attributes drive customers through these **specific bottlenecks by country**

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What Makes a “Good” Segmentation?

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

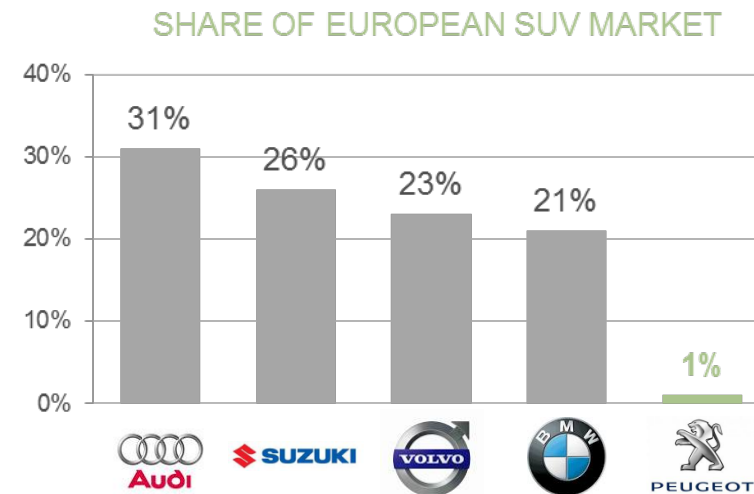
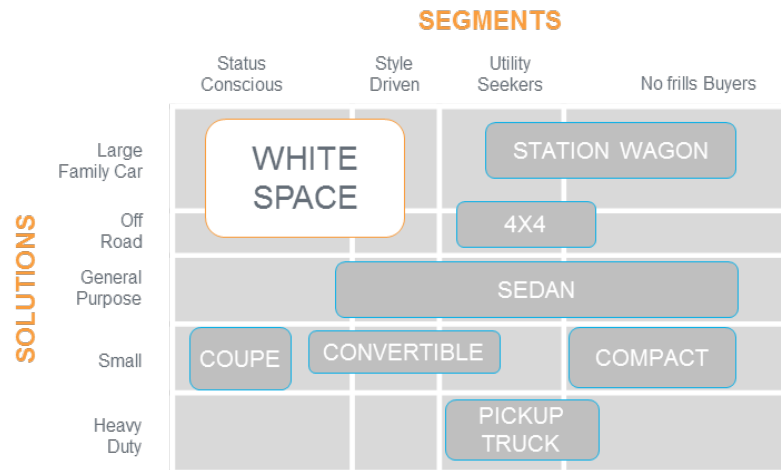


Key Tenants on Segmentation

- 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 **WINSEAD** product category in the automotive sector

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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.

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How a customer segmentation led to new value propositions

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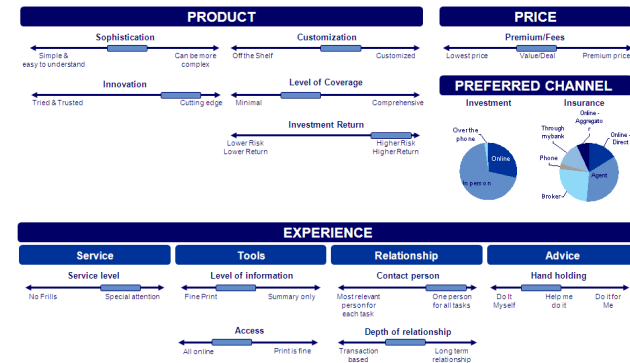
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Created a segmentation to understand the nuanced needs, attitudes and behavioural

Used the different customer segments to develop tailored value propositions.

Segment 1, Confident Controllers



LifeED

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



eValueate

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