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Point-of-View

Rethink Your Segmentation Approach

by Cesar Melgoza, Wednesday, October 28, 2009, 5:00 AM

Most marketers are aware of the complexity of their target consumers, but cannot effectively segment their marketing efforts to reach them. Although consumer segmentation has evolved rapidly over the last 30 years, its implementation has not kept pace. Targeting consumers effectively requires business executives to leverage the available data, insights and market intelligence at hand.

Heretofore, marketers focused on the Hispanic (Latino) consumer had a rather limited set of segmentation tools to enable precise targeting of people and households, often relying upon whatever their host corporation (advertiser) had available from its "general market" resources. A misunderstood part of the equation is that the cost of the segmentation platform is miniscule compared to the media funds that are spent targeting these consumers. Therefore, a rather nominal investment in the segmentation platform will extract a great deal of value from the media that ride on it.

Among the dimensions commonly used by marketers are language preference, gender, life stage, country of origin, acculturation and socioeconomic strata. Often these dimensions are used in a singular or two-dimensional manner as opposed to a truly multi-dimensional method that more accurately represents the consumer's complexity. Furthermore, marketers usually employ their segmentation to guide the development of advertising messaging and media planning, not usually applying segmentation to market potential measurement, in-store experiences, direct marketing, and much less to product development.

The main reason for marketers not applying more rigorous methods to this process is the lack of awareness of how to build a truly comprehensive consumer segmentation platform. Ground-Truth Segmentation is a method that Geoscape developed to link corporate strategy (or a rethinking of corporate strategy) to various forms of its tactical execution across product development, marketing communications, distribution and operations.

Segmentation "systems" can be as simple as definitions of target consumers and their demographic attributes, shopping and media habits. As they become more rigorous, additional characteristics (such as media and shopping behavior, need states and psychographics), weightings and geographic locations are added. Often, advertising agencies develop segmentation definitions on a client-by-client basis to guide their creative development and messaging. Usually this segmentation is left desiring corporate follow-through at the operational level.

Geo-demographic segmentation that combines demographics, lifestyles, behavioral attributes and places consumers into groups known as "clusters" has long been a popular approach. When I was at Strategic Mapping, Inc. (which acquired Donnelley Marketing Information Services) in the mid-'90s, we developed a system called "ClusterPlus 2000" and a separate system called "Hispanic Portraits." At that time, and still today, Claritas developed a system called Prizm.

Today, systems like PrizmNE and Personix developed by Acxiom Corp. offer a more micro-targeted version of these segmentation platforms. These platforms often link syndicated survey data from the likes of Mediamark Research and Intelligence, Simmons, The Media Audit and Scarborough. We recently contributed to the development of Personix Hispanic, published by Acxiom Corp. that adds a multi-dimensional Hispanic framework to the normal Acxiom Personix system.

These "off-the-shelf" segmentation systems are convenient and rapid to access and license for a wide variety of purposes, ranging from macro-planning to micro-deployment for store-, household- and individual-level targeting. Sometimes, however, a corporation requires a more specific segmentation platform that ties characteristics fundamental to their business strategy. Furthermore, because each company's marketing, sales, distribution and operations varies, the segmentation must be deployed across distinct objectives.

For example, once a matrix of clusters and segments are developed, key questions arise, such as:

1. How many individuals and households are there in each segment?
2. What is the geographic distribution and variation across the segments?
3. Which stores serve predominantly one segment or another?
4. Which advertising media, messages and offers will resonate with which segments?
5. What is a company's and product's market share by each segment?
6. Which segments churn faster or are more loyal, and why?
7. Which segments are more profitable in the long term for my company?

These are all questions we may ask each day when attempting to deploy marketing resources effectively and efficiently, yet they often seem like just pipe dreams or a wish list. My point of view is that dreams are meant to be realized, and in this age of hyper-information, all of these questions can be answered by applying the appropriate resources and ingenuity.

The more relevant questions are, therefore:

(a) is a corporation willing to insure its marketing resources by having them ride on a solid and multi-dimensional segmentation platform?

Or (b) will it continue to wonder which half of its advertising is working?

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