Segmentation: Output you can expect

1. Laying out the basic ideas

2. Charts for more detail-oriented audiences

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Ingredients of output

- Here are some standard outputs you can expect, in order of appearance
    1. Pie chart showing proportions of groups
    2. Key differences from the average for a segment
    3. Relative importances of attributes for the segments
    4. Narrative describing the segment
    5. Gains analysis, for those fortunate enough to get this
    6. Comparison of key segment differences
    7. Mapping to profile segments
    8. Quad map showing patterns within a segment
    9. Segment scoring model for later studies
    10. A statement of segmentation's purpose—good to include in any segmentation study
- Advanced maps, for more detail oriented audiences
    - Mapping segments on complex dimensions
    - Territorial discriminant map
    - Maps in three dimensions

Cast of characters,
also in order of appearance

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Pie chart: Segment Sizes

- Every segmentation study deck seems to start with one of these
- One instance where a pie chart communicates clearly

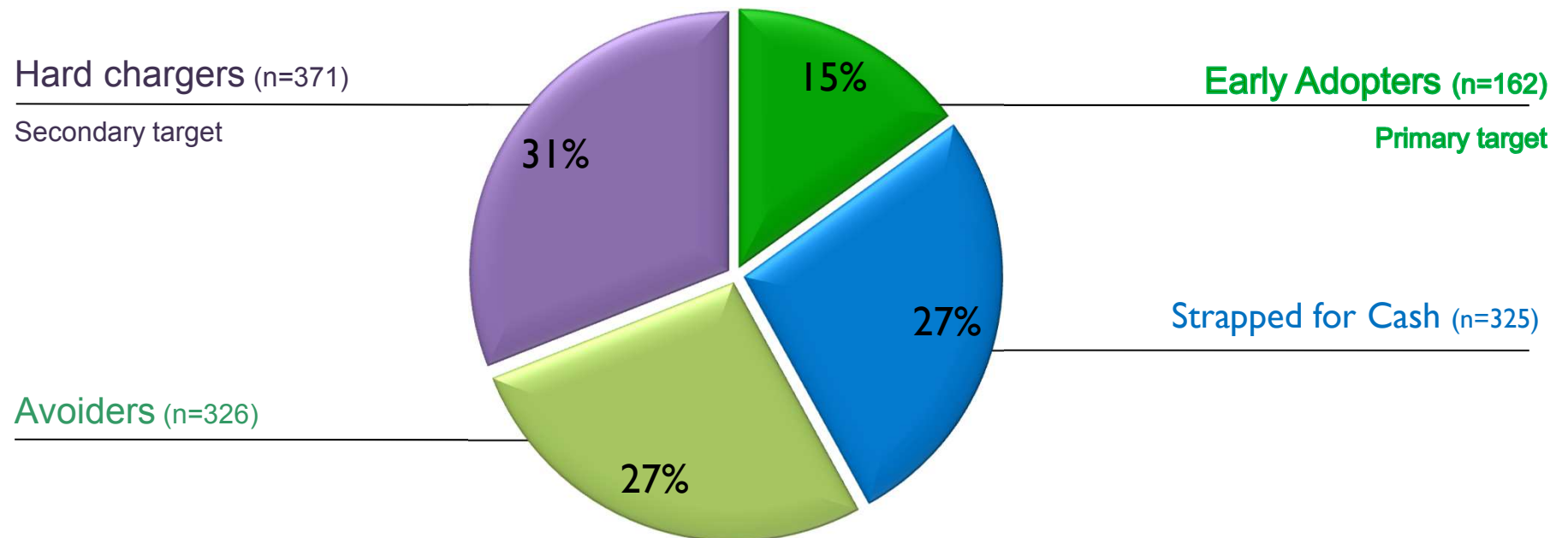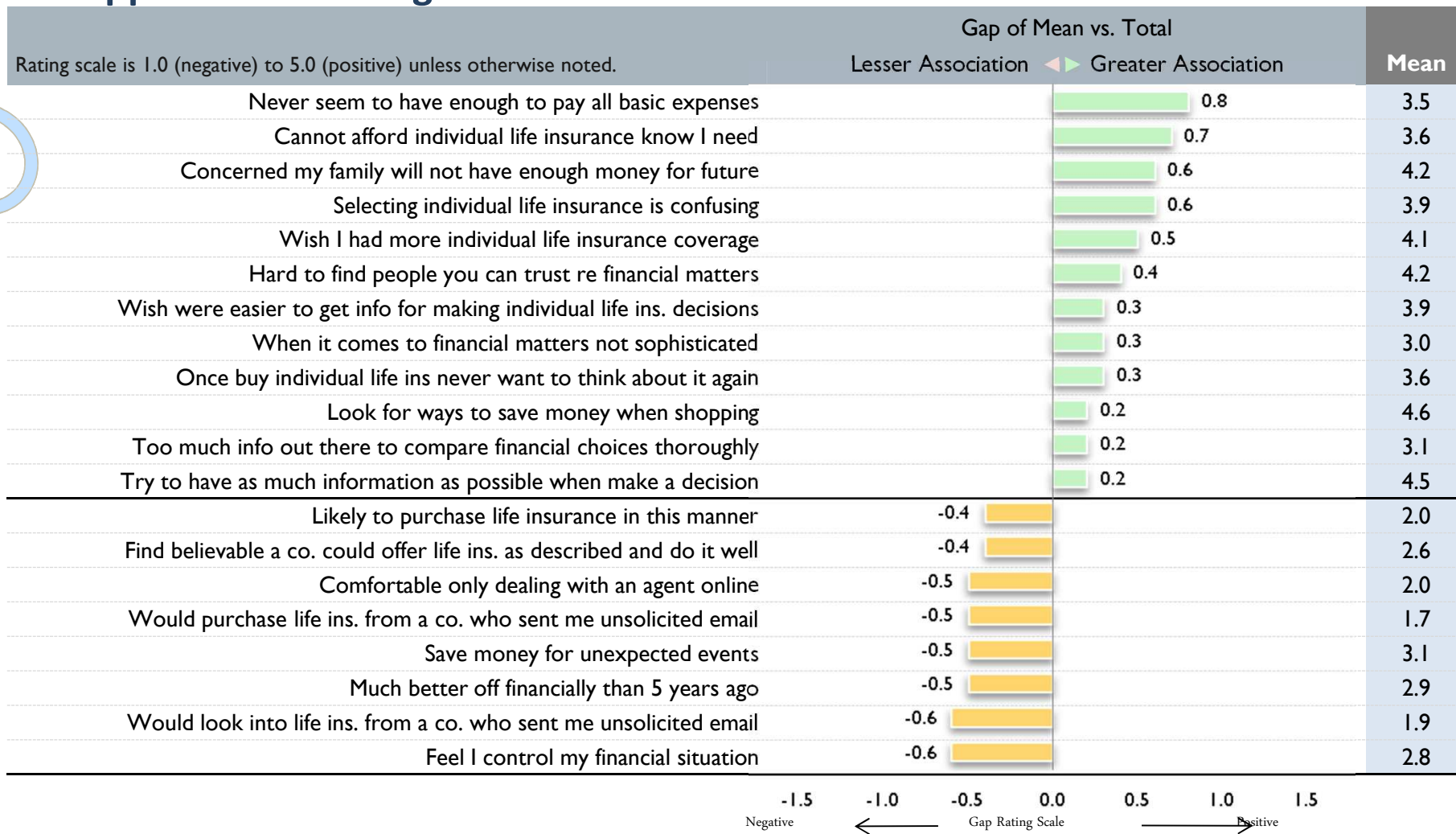Hard chargers (n=371)

Secondary target

Early Adopters (n=162)

Primary target

15%

31%

27%

Strapped for Cash (n=325)

Avoiders (n=326)

27%

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Chart: Showing key differences from average for a segment

"Strapped for cash" segment

Rating scale is 1.0 (negative) to 5.0 (positive) unless otherwise noted.	Gap of Mean vs. Total Lesser Association ◄ ► Greater Association	Mean
Never seem to have enough to pay all basic expenses	0.8	3.5
Cannot afford individual life insurance know I need	0.7	3.6
Concerned my family will not have enough money for future	0.6	4.2
Selecting individual life insurance is confusing	0.6	3.9
Wish I had more individual life insurance coverage	0.5	4.1
Hard to find people you can trust re financial matters	0.4	4.2
Wish were easier to get info for making individual life ins. decisions	0.3	3.9
When it comes to financial matters not sophisticated	0.3	3.0
Once buy individual life ins never want to think about it again	0.3	3.6
Look for ways to save money when shopping	0.2	4.6
Too much info out there to compare financial choices thoroughly	0.2	3.1
Try to have as much information as possible when make a decision	0.2	4.5
Likely to purchase life insurance in this manner	-0.4	2.0
Find believable a co. could offer life ins. as described and do it well	-0.4	2.6
Comfortable only dealing with an agent online	-0.5	2.0
Would purchase life ins. from a co. who sent me unsolicited email	-0.5	1.7
Save money for unexpected events	-0.5	3.1
Much better off financially than 5 years ago	-0.5	2.9
Would look into life ins. from a co. who sent me unsolicited email	-0.6	1.9
Feel I control my financial situation	-0.6	2.8

-1.5   -1.0   -0.5   0.0   0.5   1.0   1.5

Negative ← Gap Rating Scale → Positive

Question: Please indicate how much you agree or disagree with each of the following statements.

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Relative importance of basic attributes for the segments

	"Make it easy"	"Connected techies"	"Burnt by problems"	"Chatters"
Most durable	Average	Average	Significantly higher	Significantly lower
Lightest weight	Significantly higher	Significantly lower	Average	Significantly lower
Best image quality	Average	Significantly higher	Average	Significantly lower
Multimedia	Significantly lower	Significantly higher	Significantly lower	Average
Easy texting	Significantly lower	Average	Average	Significantly higher
Sound quality	Average	Average	Average	Significantly higher
Ease of use	Significantly higher	Significantly lower	Average	Average
Number of apps	Significantly lower	Significantly higher	Significantly lower	Average

● Significantly higher importance than other segments   ○ Significantly lower importance than other segments
● Average

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Sample segment narrative

- A narrative like this serves as a guide to the core needs and characteristics of a segment

Doctors in the "Aggressive treatment" segment

- An excellent audience if you can convince them of the value of the product
    - Most are in the sixth to ninth deciles in volume and have high Rx shares for our product
    - Particularly interested in Rx having low levels of somnolence and relapse
- Opinion leaders.
    - Speak at conferences; peers often ask them for advice
- Engaged and not averse to challenges
    - Confident about their ability to take care of patients, including titrating medications and dealing with side effects
- See more difficult patients than other doctors
- Somewhat impatient with detailing efforts
- Seek better patient information and better staff information

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Gains chart shows exactly how to find segments

- This is where segmentation finally pays off with efficient results
- A precise "road map" showing how to reach target segment members efficiently, based on demographics and media usage—characteristics that can "tag" prospects in data files. Uses simple "AND" combinations—no equations, so easy to program into databases
- Output from classification tree analysis, with segment membership as the target variable

Group Characteristics: Five top groups based on demographics and readership	Group as a pct. of total	Incidence of Segment	Lift or Leverage: Index (100 = average)	Cumulative Pct. of Total	Cumulative incidence of Segment	Cumulative Lift or Leverage
1 Industry: Personal services, FIRE AND Refer to regularly: iii Website: YES AND Subscribe: Insurance and Technology: NO AND Number of employees: 5 to 24	6%	61%	362	6%	61%	362
2						
3 Subscribe: Insurance and Technology: YES AND Refer to regularly: iii Website: No AND Subscribe: Insurance Chronicle: NO AND Number of employees: 5 to 24	5%	36%	211	15%	53%	313
4						
5 Subscribe: Insurance and Technology: YES AND Number of employees: 25-49	9%	25%	145	28%	40%	235

Cumulative improvement in efficiency vs. no model =
2.35 (boost in incidence)/0.28
(due to avoiding lower incidence groups)=
840% the efficiency of not having this model

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Key characteristics defining primary and secondary targets

Results of two classification tree (CHAID) analyses are merged into a single pictorial summary

Segment 4 "Pro Users"	Segment 2 "Brand Believers"

Distinguishing characteristics

✓ Shop at Cabela's retail store
  ✓ Politics
✓ Hunting/shooting

✓ Visit news websites regularly
  ✓ Bible/devotional/church
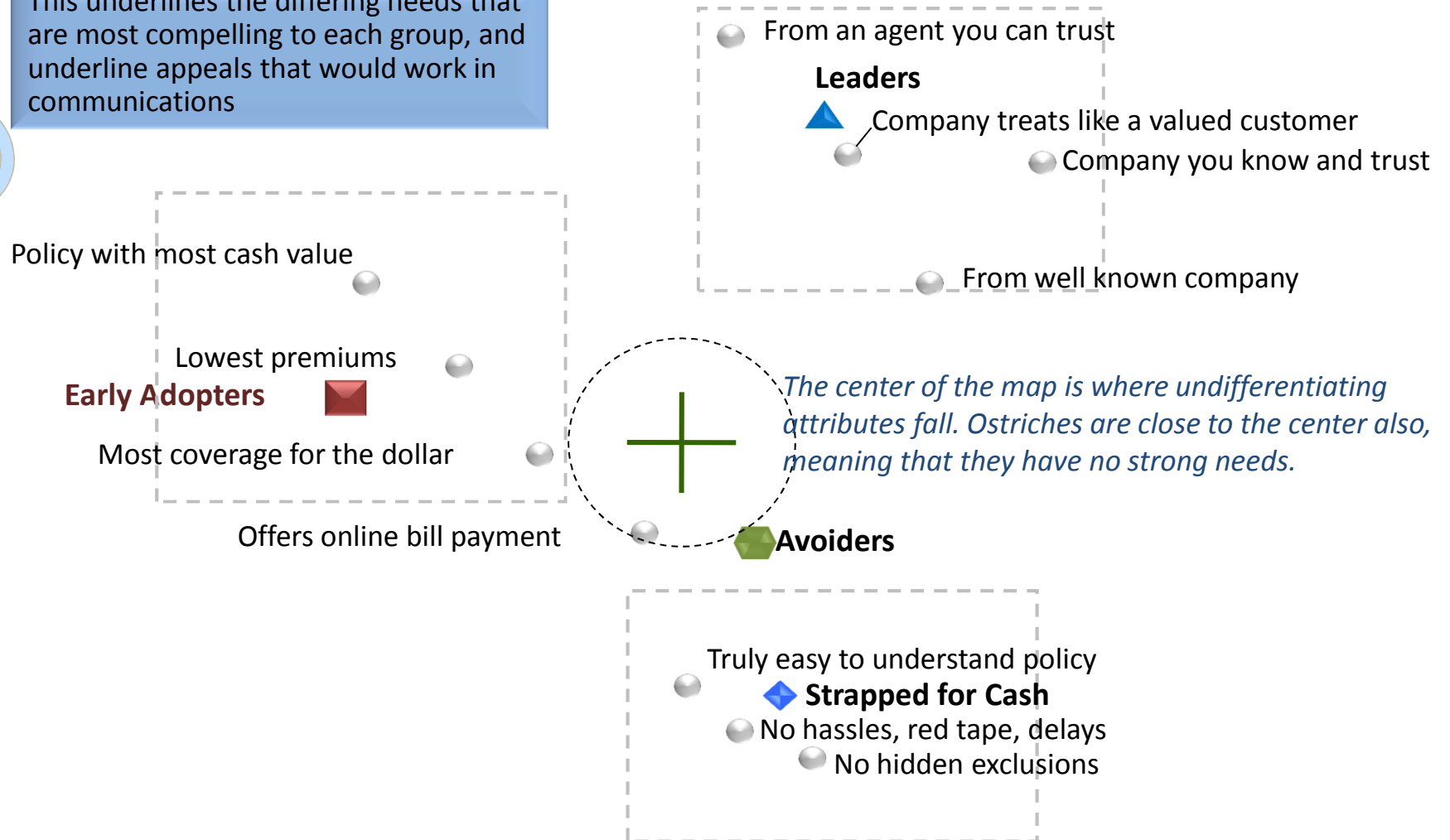   ✓ Fitness/exercise

Similar characteristics

✓ Shop at Bass Pro Shops retail store
  ✓ Shop online
    ✓ Family
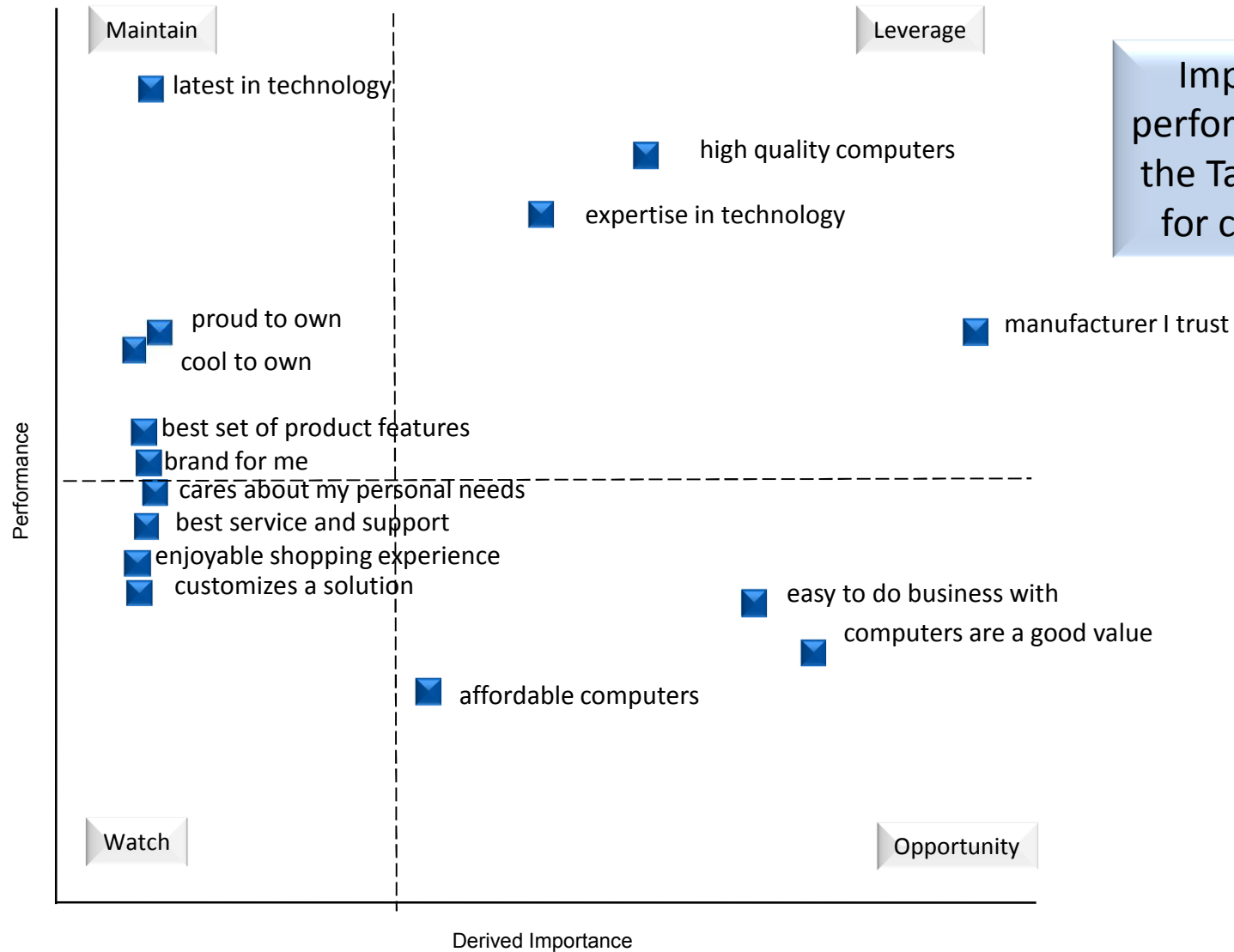   ✓ DIY

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Map: Basic needs of the segments

This underlines the differing needs that are most compelling to each group, and underline appeals that would work in communications
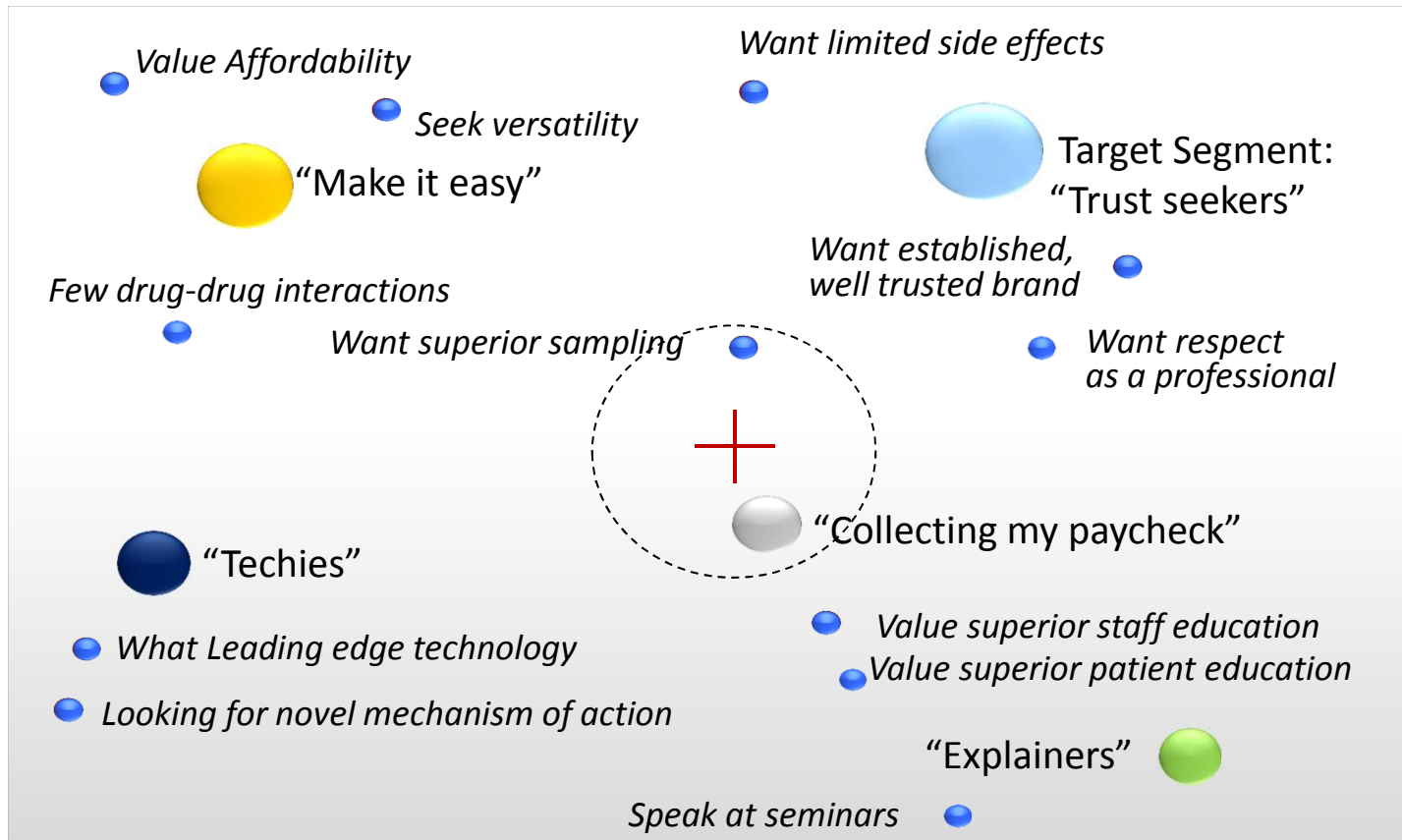
From an agent you can trust

Leaders

Company treats like a valued customer

Company you know and trust

From well known company

Policy with most cash value

Lowest premiums

Early Adopters

Most coverage for the dollar

The center of the map is where undifferentiating attributes fall. Ostriches are close to the center also, meaning that they have no strong needs.

Offers online bill payment

Avoiders

Truly easy to understand policy

Strapped for Cash

No hassles, red tape, delays

No hidden exclusions

From correspondence analysis

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Quad map for a segment: Importance vs. performance ratings

Maintain

Leverage

latest in technology

high quality computers

expertise in technology

Importance vs. performance among the Target segment for client's brand

proud to own

cool to own

manufacturer I trust

Performance

best set of product features

brand for me

cares about my personal needs

best service and support

enjoyable shopping experience

customizes a solution

easy to do business with

computers are a good value

affordable computers

Watch

Opportunity

Derived Importance

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Map: Comparing segments' needs and sizes

Value Affordability

Want limited side effects

Seek versatility

"Make it easy"

Target Segment:
"Trust seekers"

*Want established,
well trusted brand*

Few drug-drug interactions

Want superior sampling

*Want respect
as a professional*

"Collecting my paycheck"

"Techies"

What Leading edge technology

Value superior staff education
Value superior patient education

Looking for novel mechanism of action

"Explainers"

Speak at seminars

A bi-plot, a method related to correspondence analysis

Notes

What is close together goes together
The center is non- distinctive or non- differentiating
This map can provide valuable strategic insights into what drives each segment
The sizes of the group bubbles reflect the segments' sizes
Directions (left, right, up, down) have no meaning

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Sample screen shot from a simple scoring model

This is an easy-to-use Excel workbook that provides results in real time as data is entered

You MUST click on or use EACH control each time you run the sheet

Enter ID

How much do you agree with each of these statements?	Disagree Strongly	Disagree Somewhat	Neither	Agree Somewhat	Agree Strongly	
						12
There is too much SBC information to keep track	○	○	○	○	○	2
Colleague often ask my advice re finding information at SBC	○	○	○	○	○	3
People should be more involved in positive change	○	○	○	○	○	4
I am often one of the first to try something new	○	○	○	○	○	4
SBC really inspires the best in me	○	○	○	○	○	3

Which ONE would you most want to use as a way of keeping up with One SBC? (Please select ONE)	1 Dedicated Facebook Page	2 Page on a SharePoint site	3 E-mail to you from AT&T	4 Twitter	5 All are the same to me	
	○	○	○	○	○	4

	Not at all	Not very	Some-what	Very	Extremely	
How interested are you in finding out more about opportunities for career development inside SBC?	○	○	○	○	○	3

What is your current age in years? (Please slide the control to the correct age)	*Clicking on arrow moves one unit; clicking on band inside arrow moves 10 units*	40
How many years in total have you been in the workforce? (Please slide the control to the correct answer)		100

You must ENTER an ID. PRESS ENTER. Each case must have its own ID

Clear — You must clear FIRST before you ENTER new data

Predict — Do this only after filling all values

Save — Use only after running predict!

HOW TO USE THE CONTROL BUTTONS ABOVE

CLEAR: Clears all values, errors, and the segment membership assignment.

PREDICT: After entering all values, press this button to see the segment membership.

SAVE: Stores the ID, all answers and segment membership in the database.

FORECASTED SEGMENT	Segment 1
Strength of membership	Strong
Probability cluster 1	69%
Probability cluster 2	31%
Probability cluster 3	0%

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Keys to a Successful Segmentation

- It is always good to get one of these into any segmentation deck

Recognizable — Clearly defined and different from other segments

Understandable — Strongly delineated in terms of what makes the segment "tick,"—their views, and how they behave and respond

Selectively reachable — Defined closely by usable demographics, channel/purchasing, information sourcing/communications

Therefore, have strong value in guiding actions

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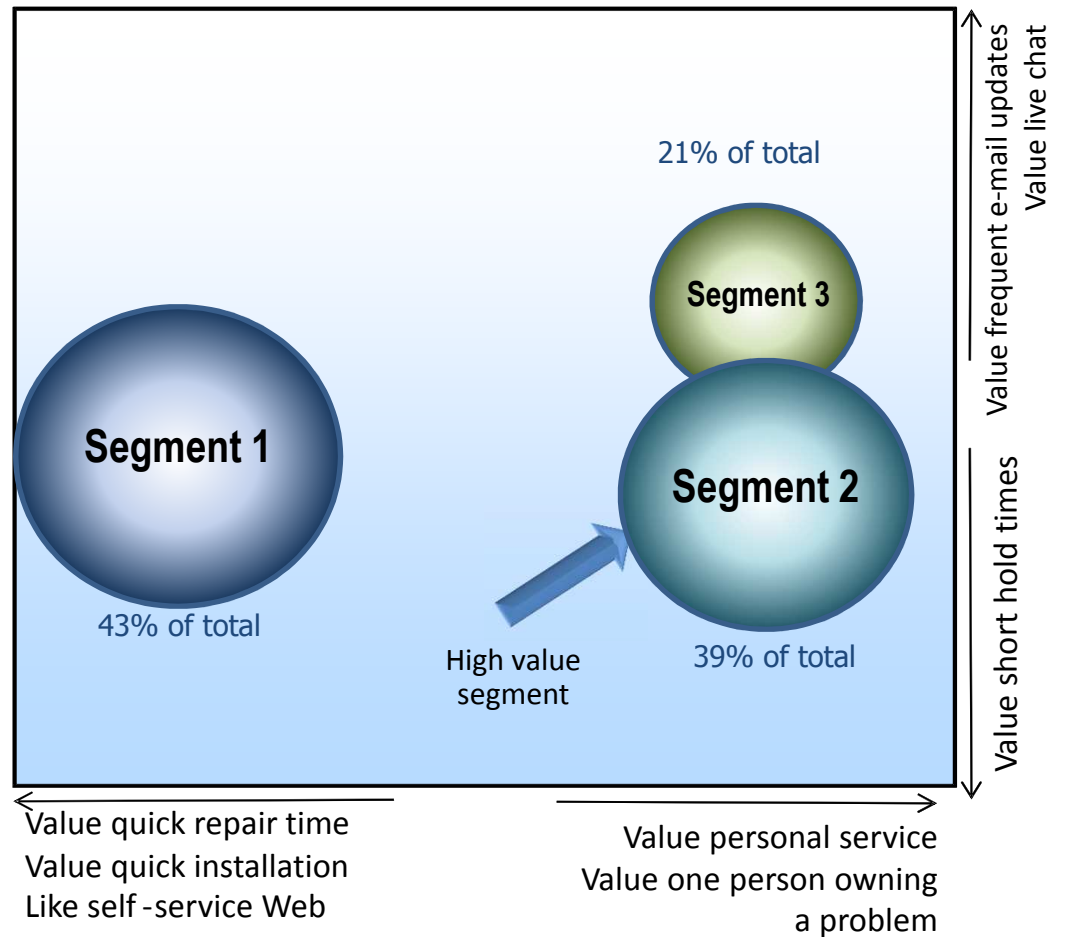
Maps for more advanced audiences

- Some audiences like more detail

  - The maps that follow are not for everybody!

- Some maps that provide this:

  - Territorial discriminant maps

  - Maps summarizing segments in complex dimensions

  - Maps extending to three (or more) dimensions

    - Sometimes important information can be conveyed only by more than two dimensions

    - However, this definitely is only for select audiences with strong needs for details

Select audience, no doubt debating segmentation
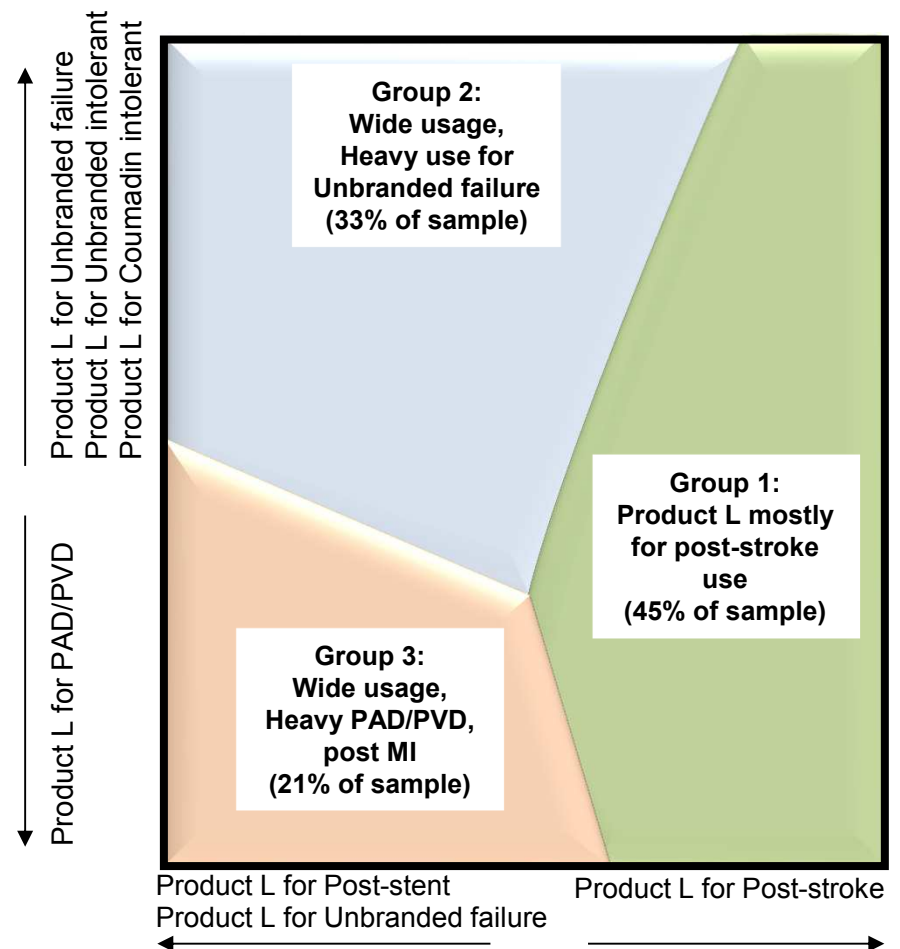
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Segment differences on complex dimensions

- This can tell a story to an attentive audience

- Dimensions have multiple variables defining them

- Here, the high value segment most strongly values:

  - Personal service

  - One person owning a problem

  - Short hold times

Segment 1

43% of total

Segment 3

21% of total

Segment 2

39% of total

High value segment

Value frequent e-mail updates
Value live chat

Value short hold times

Value quick repair time
Value quick installation
Like self-service Web

Value personal service
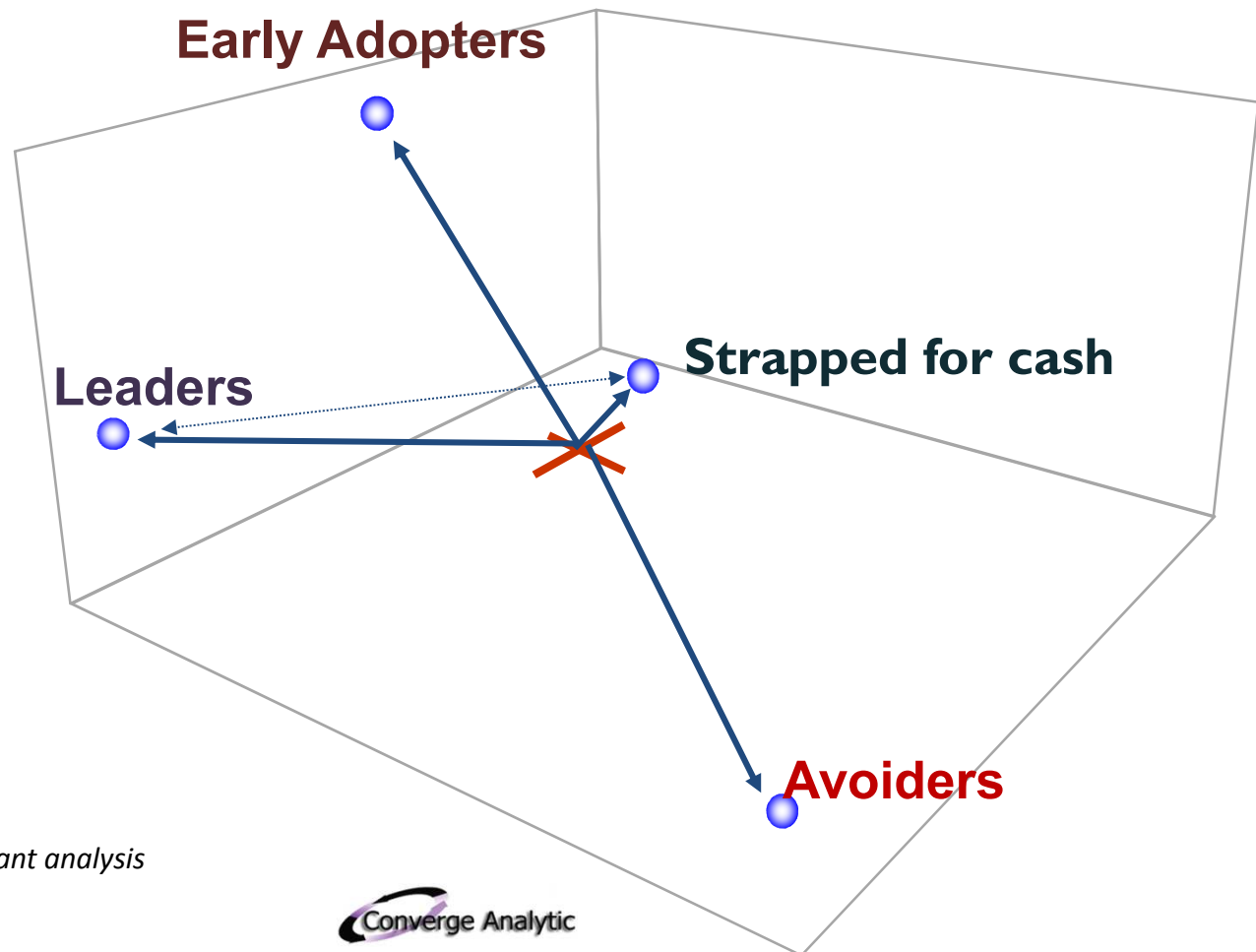Value one person owning a problem

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Discriminant "Territorial Map" of Key Product L Use Patterns

- Based on discriminant analysis
  - It summarizes differences found among the three doctor groups' use of Product L
- Each group has a "territory" defined by its levels of Product L use patterns
- Arrows show how levels of specific Product L uses make it more/less likely for a doctor to belong to a given group
  - e.g., doctors most likely will fall into group 1 if they use Product L for post stroke patients but NOT for post-stent or Unbranded failure patients
  - The first arrow points toward group 1, while the latter two arrows point away from this group
- Based solely on patterns of Product L use, we can correctly predict the group into which doctors fall **98% of the time**

Vertical axis (upper): Product L for Unbranded failure / Product L for Unbranded intolerant / Product L for Coumadin intolerant

Vertical axis (lower): Product L for PAD/PVD

Group 2:
Wide usage,
Heavy use for
Unbranded failure
(33% of sample)

Group 1:
Product L mostly
for post-stroke
use
(45% of sample)

Group 3:
Wide usage,
Heavy PAD/PVD,
post MI
(21% of sample)

Horizontal axis (left): Product L for Post-stent / Product L for Unbranded failure

Horizontal axis (right): Product L for Post-stroke

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Advanced map: How different are the groups?

Each direction on the chart summarizes a set of opinions and needs that belong distinctively to one segment. Each axis (wall of the chart) is a "dimension." The further apart the groups are, the more different. *Leaders* and *Strapped for Cash* are nearly opposite on one dimension. *Avoiders* are not like any other group.

Early Adopters

Leaders

Strapped for cash

Avoiders

From discriminant analysis

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Advanced map: Key characteristics differentiating a group

This shows how early adopters differ from the other groups, especially their willingness to try insurance offered in different ways and in their strong interest in the new insurance concept. They want to see clearly the value of their insurance.

Would look into life ins. from unsolicited e-mail
Comfortable only dealing with agent by phone
Would purchase life ins. from unsolicited mail
Like to be the first to try something new
More likely to purchase life insurance in this manner
Comfortable only dealing with an agent online
Feel I control my financial situation
Save money for unexpected events
People often ask me for advice
Policy with most cash value
Most coverage for the dollar

Early Adopters

Cannot afford life insurance know I need
Never have enough to pay all basic expenses
Selecting individual life insurance is confusing
Concerned that my family will not have enough
Wish I had more individual life insurance
Re financial matters not sophisticated

Strapped for cash

Financial independence very important
Try to have as much info as possible
Look for ways to save money when shopping
Tend to shop for best deal
Even minimal life insurance better than none
Like to have many choices when I shop
Goes against grain to spend money do not have
Save money for unexpected events
People often ask me for advice
Much better off financially

Leaders

Ostriches

From discriminant analysis

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Advanced map: Key characteristics differentiating groups

"Leaders" and the "Strapped for cash" groups are opposite ends of a dimension, where one end is "in charge" and the other is "in pain." Leaders value independence, seek information, like to have choices and plan. The "Strapped" group instead very strongly agrees they do not have enough money and cannot afford insurance. Early adopters are closer to leaders on this dimension.

Would look into life ins. from unsolicited e-mail
Comfortable only dealing with agent by phone
Would purchase life ins. from unsolicited mail
Like to be the first to try something new
More likely to purchase life insurance in this manner
Comfortable only dealing with an agent online
Feel I control my financial situation
Save money for unexpected events
People often ask me for advice
Policy with most cash value
Most coverage for the dollar

Early Adopters

Cannot afford life insurance know I need
Never have enough to pay all basic expenses
Selecting individual life insurance is confusing
Concerned that my family will not have enough
Wish I had more individual life insurance
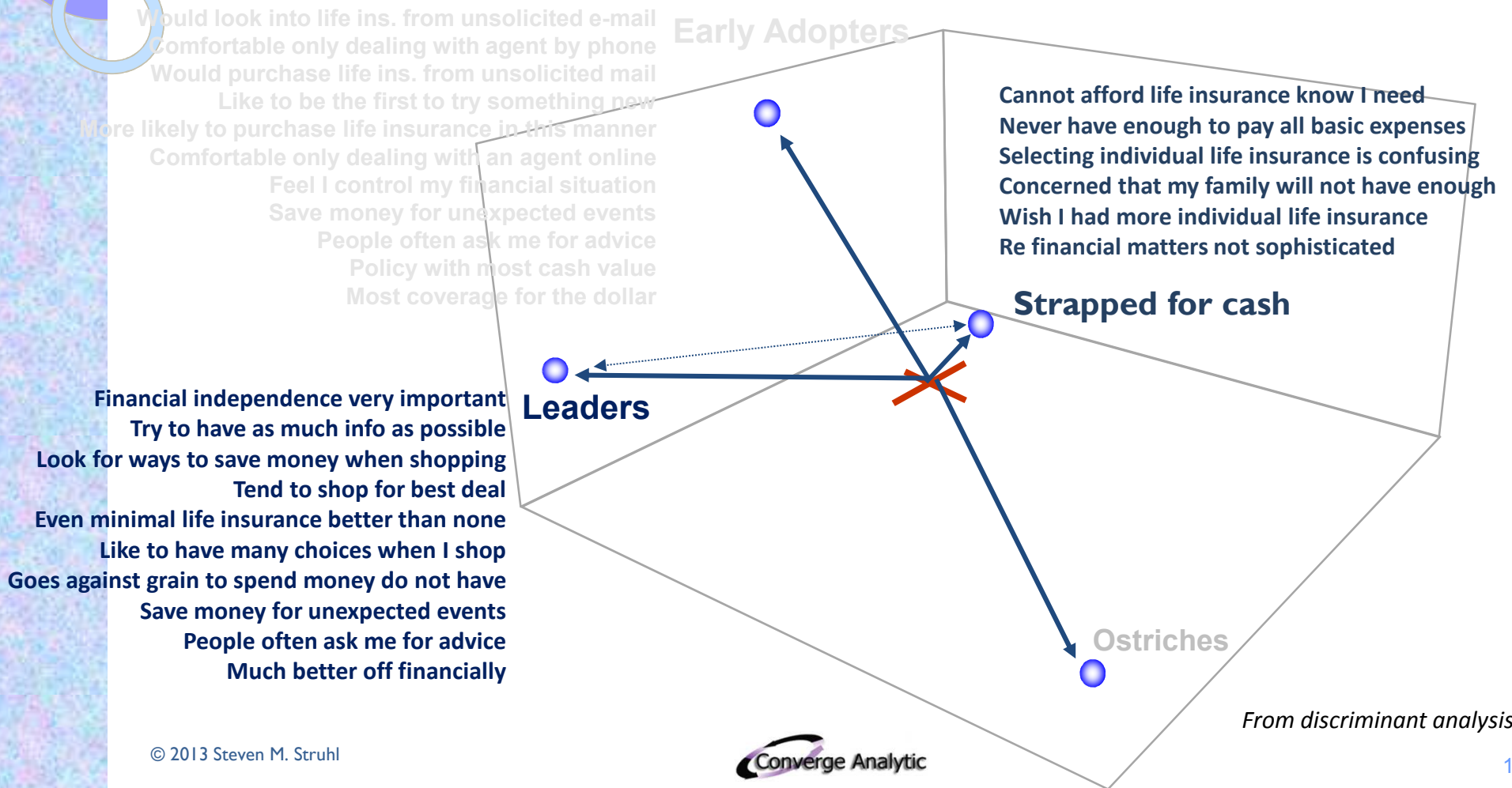**Re financial matters not sophisticated**

Strapped for cash

Financial independence very important
Try to have as much info as possible
Look for ways to save money when shopping
Tend to shop for best deal
Even minimal life insurance better than none
Like to have many choices when I shop
Goes against grain to spend money do not have
Save money for unexpected events
People often ask me for advice
Much better off financially

Leaders

Ostriches

From discriminant analysis

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19

Questions? Comments?

These are just some samples—many other possibilities exist

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