

Case Study

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**CORPORATE
STRATEGY**
26 June

Effective Segmentation: A Foundation for Strategy

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Introduction and Context

What is strategy?...

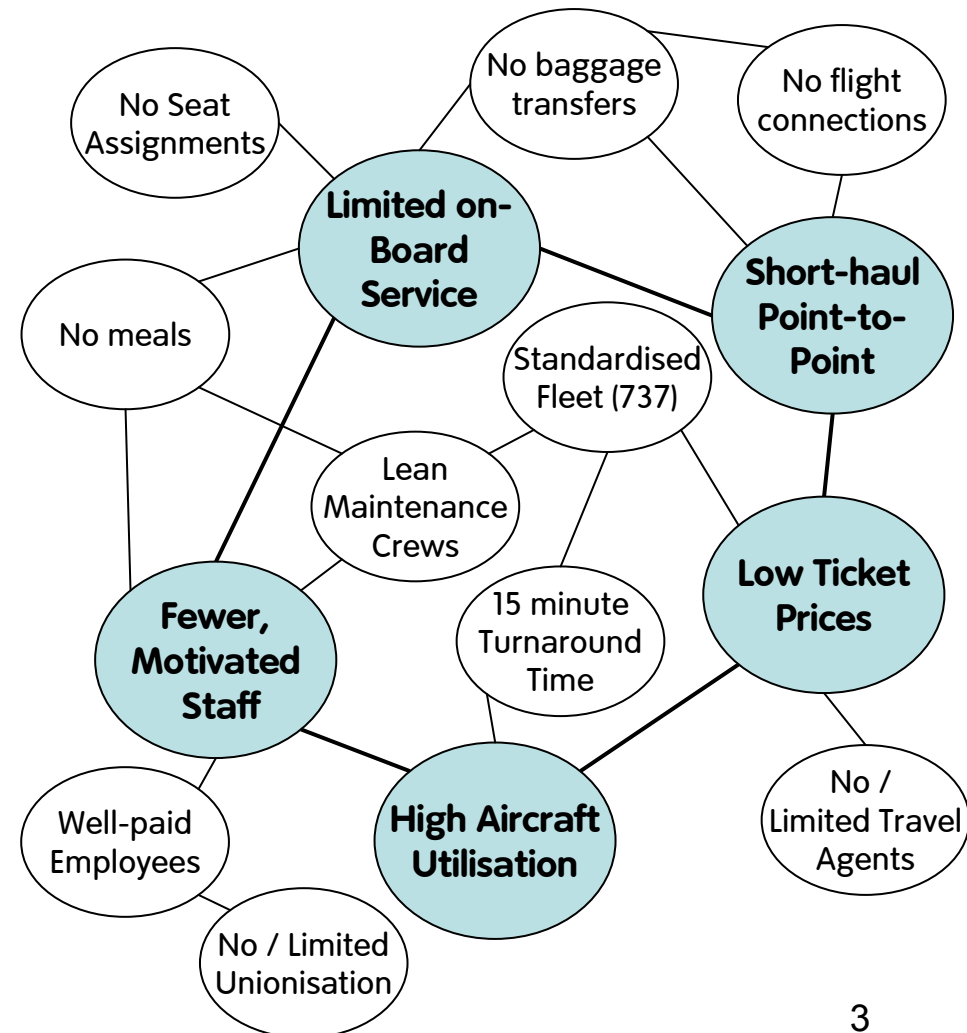
Strategy and Levels of Strategic Fit

- The essence of strategy is making choices – about what not to do
- Strategy is what we do that is unique, different, and special
 - Different things / different ways



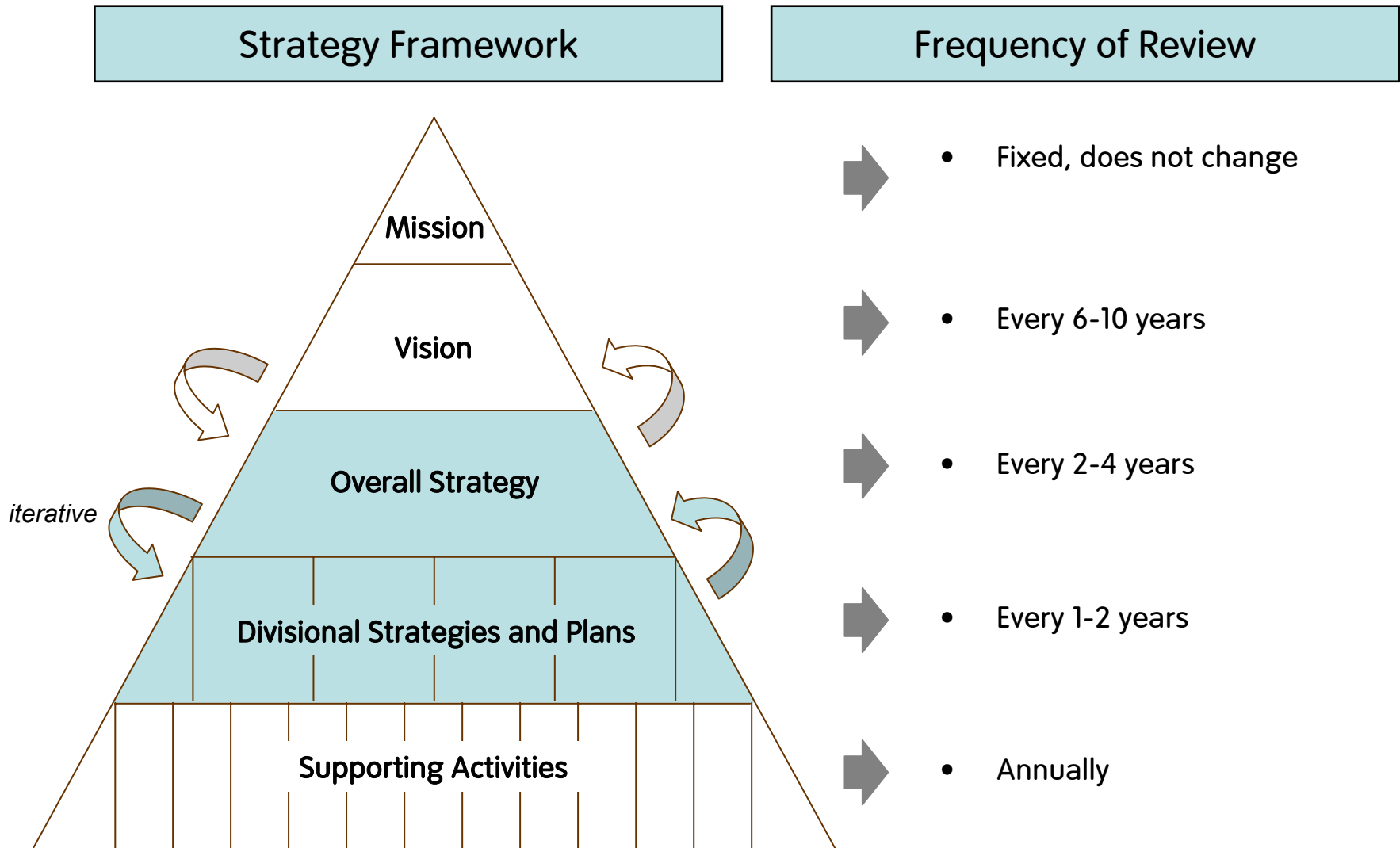
1. First order fit:
 - Consistency between each activity (e.g., marketing / comms) and the overall strategy
2. Second order fit:
 - Activities across the entire institution are consistent and reinforcing

Example of Strategic Fit: Low-Cost Airlines



Introduction and Context

How does strategy fit into the bigger picture?...



Introduction and Context

And finally, why does strategy matter?



Scatter shot, "throw it against the wall and see what sticks"

Because:

- We all operate in resource-limited environments
- Many of us are (at least partly) publicly funded, and we have an obligation to use our resources most efficiently
- Our museums are for everyone, but we must still decide where to prioritise our expenditure for maximum benefit
- Money and time are wasted when we're not clear about our objectives – *across the organisation*

Introduction and Context

History of Segmentation

Cliché but true: Successful strategies begin with good audience segmentation

1960s

- Identify groups and tailor products, brands, communications and channels to them
 - Driven by packaged consumer goods companies

1980s

- Needs based cluster analysis
 - “Actualisers,” “Self-Improvers”

1990s

- Data mining, internet-driven “segment of one”
 - Tesco, Yahoo



The Problem is: These approaches often don't work!

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Common Segmentation Pitfalls

Where Does Segmentation Go Wrong?

There are three common failures with most approaches to customer / audience segmentations and, therefore, to strategies

Overview of Common Segmentation Problems

Summary	Example
1. Segments are Not Different	<ul style="list-style-type: none">• <i>“I can target specific audiences, but beyond the platitudes, I don’t really know if, how, or why they are different.”</i>
2. Segments are Difficult to Find in the Market and Target Precisely	<ul style="list-style-type: none">• <i>“I can identify different ‘clusters’ of current and potential audiences, but I can’t easily ‘identify’ them in the market.”</i>
3. There is No Agreement Across the Organisation	<ul style="list-style-type: none">• <i>“The different parts of my organisation can’t agree on a common view of audiences and their behaviours and motivations, so we end up working against, rather than reinforcing, each other’s activities.”</i>

Common Segmentation Pitfalls

Failure No. 1: Segments Are Not Different

"I can target different audiences, but beyond the simple platitudes, I don't really know if, how, or why they are different."

What happens?

- Markets are segmented according to over-simplified demographic data

Why?

- Attempt to reduce the complexity of the market
- Customer groups are relatively easier to identify and to target

The Problem

- In the quest for simplicity, real opportunities are missed
- Simple demographics almost never strongly correlate to critical market behaviour

For Example...



- Not all women age 45-59 from higher income groups visit museums
- In fact, they may not even consume live culture, but prefer instead to consume in the cinema or by watching television
- Even worse, not all of them may be interested in visual artistic culture at all

Common Segmentation Pitfalls

Failure No. 2: Segments Are Difficult to Find and Target

"I can identify different 'clusters' of current and potential audience needs, but I can't easily 'identify' them in the market."

What happens?

- Find a sophisticated statistical solution to the first problem
 - Linear regression, cluster analysis

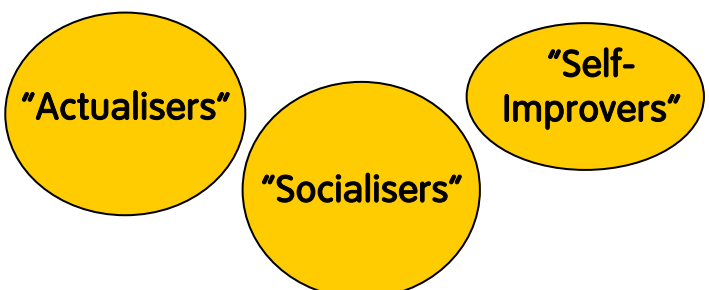
Why?

- Seems like common sense: Ask a customer what they want, and target their needs

The Problem

- Difficult to find and target audiences in the market
- "Needs" almost never correlate neatly to easily identifiable, demographic metrics

Example



– Memorable and indicative of needs and attitudes

- But, you don't know where to find them in the market
 - Where do they live and work?
 - What is their income?
 - What media do they read?

Common Segmentation Pitfalls

Failure No. 3: There is No Agreement Across the Organisation

"The different parts of my organisation can't agree on a common view or prioritisation of audiences."

What happens?

- Groups in organisation can't agree on key segments, and their behaviour and motivations


Why?

- Process not integrative enough
- Insufficient or selective use of data

The Problem

- Wide of the mark advertising campaigns
- War stories and general skepticism
- Uncoordinated and wasted efforts across organisation

Example




Marketing Programme

- Marketing, communications, programmers, and management don't agree on:
 - Key segments and prioritisation and how to reach them
- Inconsistent, even contradicting, messages sent to key audiences (inadvertently)
 - Reduced value of communications
 - Weakened brand equity

Common Segmentation Pitfalls

Three Key Messages

Despite these classic problems:

1. Segmentation remains the vital foundation for any successful strategy
 - Not only communications – but your integrated museum strategy
 2. Segmentation is as much an “art,” as it is a science
- 
3. Taking certain steps when developing a segmentation can ensure audiences are central to your museum’s entire strategy
 - And it will leverage the effectiveness of your marketing and communications efforts

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Steps to a Successful Segmentation

What are the Characteristics of a “Successful Segmentation”?

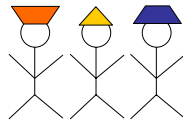


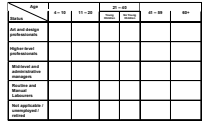
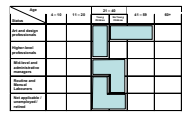

Characteristics of a “Successful” Segmentation

Summary	Example
Insightful	<ul style="list-style-type: none">• Based on actual differences in behaviour in the areas that matter<ul style="list-style-type: none">– Attendance / interests / frequency etc.• Indicative of different motivations• Indicative of different priorities for the institution
Agreed	<ul style="list-style-type: none">• Key areas of the institution who are responsible for “touching the audience” agree on:<ul style="list-style-type: none">– Key segments– Priorities across segments– How to reach them
Practical	<ul style="list-style-type: none">• Identifies specific behaviours you wish to change for each priority segment• Identifies specific actions that can be executed and will support and make a difference to your overall strategy

Steps to a Successful Segmentation

Summary Overview

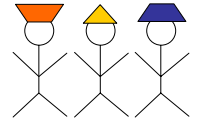
To develop a segmentation that is both insightful and practical, you need the right team, clear objectives, and a systematic process and approach

Preparation	<p>1. Assemble the right team</p> <ul style="list-style-type: none"> From across the organisation 	
	<p>2. Define the scope and objectives</p> <ul style="list-style-type: none"> What you want to accomplish in the market 	
Segmentation	<p>3. Brainstorm and agree segmentation variables</p> <ul style="list-style-type: none"> "Meaningful and actionable" 	
	<p>4. Create a segmentation frame</p> <ul style="list-style-type: none"> Based on current knowledge 	
	<p>5. Collapse the Cells into segments</p> <ul style="list-style-type: none"> Similar behaviour across segmentation variables 	
Develop Strategies	<p>6. Profile and prioritise segments</p> <ul style="list-style-type: none"> Usage environment, beliefs, etc 	
	<p>7. Develop segment strategies</p> <ul style="list-style-type: none"> Behaviours you want to change 	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Most Important Drivers</p> <ul style="list-style-type: none"> Transparency of choice to "escape from daily stresses" Efficient buying to reduce time and effort spent Building of goods and services to save time Convenience, efficiency, and high assurance Small range of key products/brands High quality, premium products Opportunity to connect shopping with a social experience (meeting points) </div> <div style="width: 45%;"> <p>Potential Levers for Growth</p> <p>Value Proposition:</p> <ul style="list-style-type: none"> Efficient buying and purchase amount per visit Efficient cross-selling of daily needed articles Efficient fulfilment Efficient fulfilment <p>Assessments:</p> <ul style="list-style-type: none"> All-encompassing transparency of shopping experience Efficient fulfilment Efficient fulfilment <p>Assessments:</p> <ul style="list-style-type: none"> Efficient fulfilment Efficient fulfilment <p>Assessments:</p> <ul style="list-style-type: none"> Efficient fulfilment Efficient fulfilment </div> </div>

Steps to a Successful Segmentation

Step 1: Assemble a Team

The first step in constructing a successful segmentation is to make sure that the right people are involved



Who

- Marketing
- Communications
- Programmers (curators, etc.)
- Learning
- General management
- Visitor Services
- Ticketing / Sales
- Membership



Why

- Brings in people with different perspectives and experience with audiences
- Incorporates a rich and varied set of knowledge
- Eases the process of buy-in and communication across the organisation

Steps to a Successful Segmentation

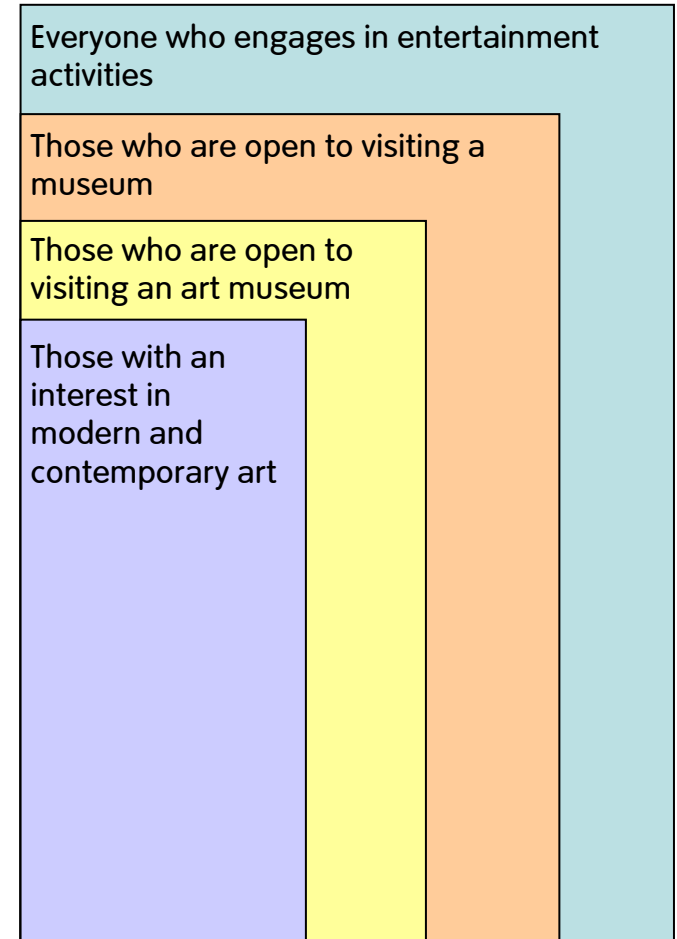
Step 2: Define the Scope and Objectives

Begin the task by getting the scope right: Ask practical questions about what you're trying to accomplish in the market, not in the analysis

A Segmentation should:

1. Explain and predict specific customer behaviour
 - This is what you are trying to manage
 - What customers do and why
2. Not be too broad or too abstract to be useful
 - Trying to get more people into the museum?
 - Understand customer's choices around visiting museums, not "lifestyles" or "attitudes toward art"

Possible Market Definitions



Steps to a Successful Segmentation

Step 3: Brainstorm Segmentation Variables

Selection of variables should be based on an evaluation of their actionability and meaningfulness

Example: Long List of Possible Variables

Demographic	<ul style="list-style-type: none"> • Status • Income • Education 	<ul style="list-style-type: none"> • Age • Children
Behavioural	<ul style="list-style-type: none"> • Motivation • Frequency of visit 	
Occasion	<ul style="list-style-type: none"> • Tourist • Social • Research 	<ul style="list-style-type: none"> • Special occasion
Psychographic	<ul style="list-style-type: none"> • Main interests • Lifestyle 	

Example: Prioritisation of Variables

Meaningful	High	<ul style="list-style-type: none"> • Main Interests • Motivation 	<ul style="list-style-type: none"> • Lifestyle 	<ul style="list-style-type: none"> • Status • Education • Children • Age
		<ul style="list-style-type: none"> • Research • Social 	<ul style="list-style-type: none"> • Tourist 	<ul style="list-style-type: none"> • Income
	Low	<ul style="list-style-type: none"> • Special occasion 		
		Low	Actionable	High

Note: **Actionable**: Whether the variable can be simply identified and specifically addressed in the market.

Meaningful: Whether a variable identifies essential differences in the behaviour we're interested in and help to prioritise different importance to the organisation.

Steps to a Successful Segmentation

Step 4: Create a Segmentation Frame

Example: Prioritisation of Variables

High	<ul style="list-style-type: none"> Main Interests Motivation 	<ul style="list-style-type: none"> Lifestyle 	<ul style="list-style-type: none"> Status Education Children Age
Meaningful	<ul style="list-style-type: none"> Research Social 	<ul style="list-style-type: none"> Tourist 	<ul style="list-style-type: none"> Income
	<ul style="list-style-type: none"> Special occasion 		
Low	Actionable		

Age	4 – 10	11 – 20	21 – 40		41 – 59	60+
			Young Children	No Young Children		
Status						
Art and design professionals						
Higher-level professionals						
Mid-level and administrative managers						
Routine and Manual Labourers						
Not applicable / unemployed / retired						

Steps to a Successful Segmentation

Step 5: Collapse Cells

Age \ Status	Age		21 – 40		41 – 59	60+
	4 – 10	11 – 20	Young Children	No Young Children		
Art and design professionals			[shaded]	[shaded]		
Higher-level professionals					[bordered]	
Mid-level and administrative managers			[shaded]			
Routine and Manual Labourers			[shaded]	[shaded]		
Not applicable / unemployed / retired			[shaded]			

Variables

- Different age groups
- Different life stages

Cells

- Customer who can be identified by a combination of variables

Cell Data

- Preferences
- Likelihood of visitation
- Frequency of visitation
- Motivations for visiting

Variables

- Different levels of social status
- Different education
- Different social groups

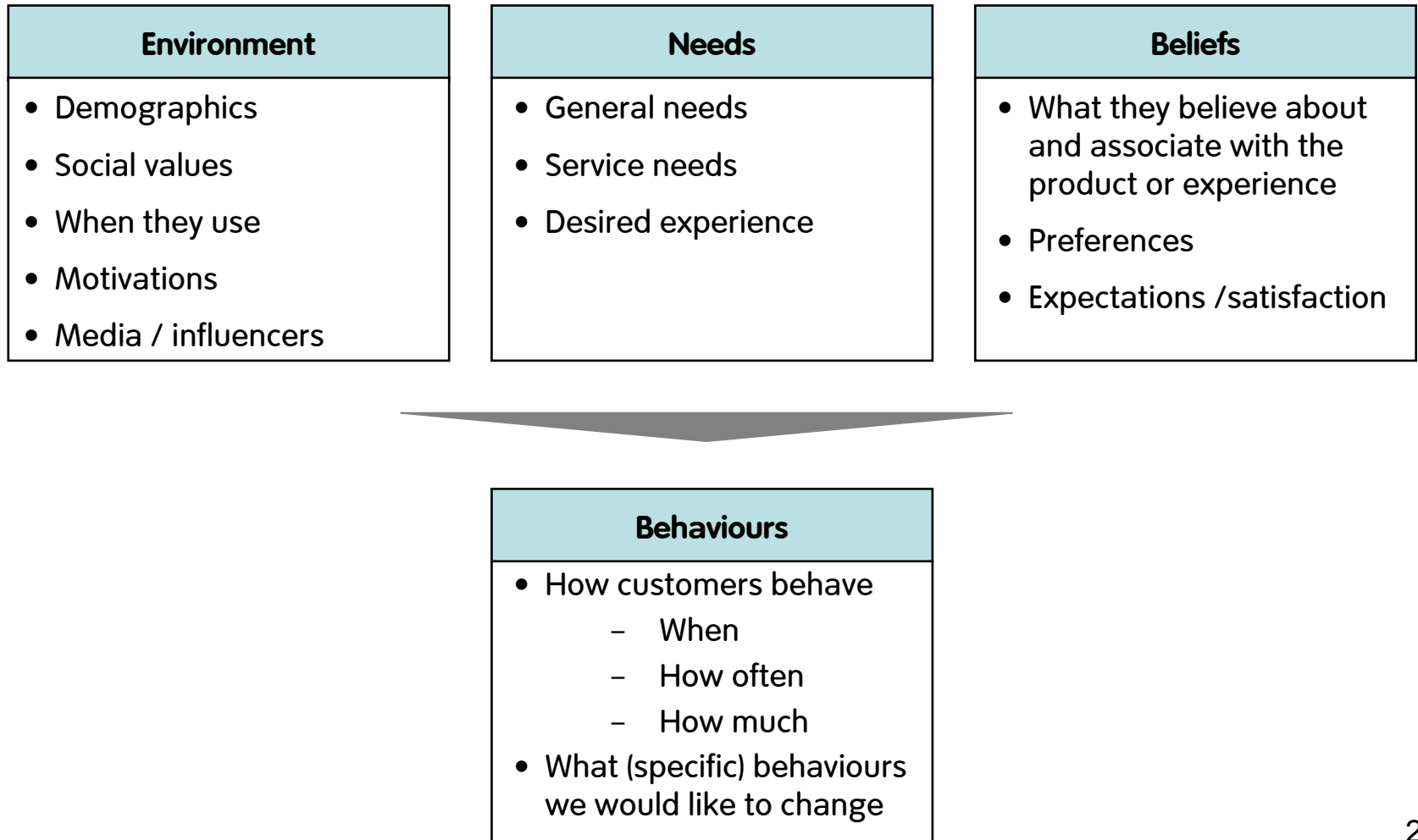
Segments

- Combination of cells by:
 - Similar needs
 - Similar behaviour
 - Similar communication and media channels
- 7 to 10 segments

Steps to a Successful Segmentation

Step 6: Profile and Prioritise Segments (cont.)

Once you have determined segments, it is necessary to integrate the quantitative and qualitative information you have about them



Steps to a Successful Segmentation

Step 6: Profile and Prioritise Segments (cont.)

Example of a Prioritised Segmentation from the Retail Industry

Gender	Household Income	Age Motivation to buy	< 25	25 – 40		41 – 60		60 +
				shopping	targeted	targeted	shopping	
Ladies	< 6'	Young People 6% / £50 per visit / £x ml	8	7a The Price Sensitive 6% / £64 per visit / £x ml		5		6 Seniors 16% / £100 per visit / £x ml
	6' – 9'			2 The Shopper 7% / £90 per visit / £x ml		1 The Comfortable 22% / £150 per visit / £x ml		
	> 9'			The Sophisticated 20% / £220 per visit / £x ml				
Gentlemen	> 9'	Young People 6% / £50 per visit / £x ml	8	4		3 The Self-Confident 20% / £149 per visit / £x ml		6 Seniors 16% / £100 per visit / £x ml
	6' – 9'					The Individualist 11% / £150 per visit / £x ml		
	< 6'			7b		The Cost Sensitive 4% / £75 per visit / £x ml		

 Priority 1

 Priority 2

 Priority 3

Steps to a Successful Segmentation

Step 6: Profile Segments – Pen portrait of “The Sophisticated”

Example of a Segment Profile from the Retail Industry

Environment

- Sonja is between 41 - 59 years old and successful in her job. She works as a **senior manager**. Besides for her challenging job she is married and she cares for a **small family**, usually only one child.
- She has only little time for shopping and shops in a **straightforward and targeted** way, usually during lunch time.
- Sonja has an **above average household income**. She buys more than she needs, but still is conscious about the money she spends and aligns her expenditures to long-term financial security and quality.
- **Social prestige** is important to her. She gains this from her friendships, job position, and her lifestyle and clothes. Her behavior has changed over the last two years as she became **more quality-oriented**.
- Sonja is not persuaded by seasonal fashion trends.



Needs

- She transmits the high expectations in the job and private life on her purchases. Her **favorite store for everything except fashion** is [x], and she has **confidence** in the store due to past positive experiences.
- She **wants quality in all she buys**. This means: **a fair cost-performance ratio, finding what she wants quickly, and friendly and qualified employees**.
- Knowing that [x] usual presents good cost-performance, leads for her to **feel secure**. She is ready to pay more for a quality product. She also connects a **good, informative advice and courteous service** with high quality.
- Sonja classifies her clothing style as "Traditional" with touches of "Contemporary", but is not trendy.
- She **does not look for a certain brand**. Her buying is affected by the style, fit and quality. Due to her need of efficient buying, she likes it if assortment pre-selection has been done for her.
- Sonja likes to be informed about **products and offers in the store**. She wishes [x] to **inform her directly and actively** about services and other supplements, e.g. cooking brochures and seasonal promotions.

Beliefs

- [x] fulfills Sonja's requirements regarding **quality, performance, ambiance, aesthetics** and **customer friendliness**. These are also the reasons, why [x] is her **preferred store**.
- She also likes to visit [x], because she can forget everyday stress for a while, surrounded by **sophisticated surroundings** and **ambiance**.
- She considers the **purchasing process a hassle** and wants to be as efficient as possible. Too many people, parking lot searches, lack of qualified help, and queues at pay points make her unhappy. She wants to quickly find what she is looking for.
- Sonja is **not obsessed with brands**, and believes that some premium brands are all image and no substance.
- **In-store brands are a consideration** if they fulfill her expectations to quality, price / performance ratio, and fit.

Behaviours

- Sonja shops at least once per week at [x]. She predominantly drops into the **gourmet food section** and, if she still has some time, she to briefly to the **perfumery**. She likes to visit the **household department** to shop for **accessories** from time to time. She does not associate [x] with fashion necessarily, she more likely to visit a specialised shop for that.
- Despite her above average household income, and the fact that she has more money than in the past, she buys consciously. She spends money only if the quality, advice and service meet her expectations. As long as [x] **does not disappoint her confidence** with unsatisfactory buying experiences, she will not consider going to other competitors.
- She likes to pay with her **credit card**. She gladly deposits her shopping bags at the **goods check**, so she does not have to carry around too much. Occasionally, she will book a **personal shopper** out of hours if she is very busy. She also considers the **home delivery service** very convenient. After shopping - and despite busy schedule - she likes to have a coffee or a light meal with a friend in the restaurant of the store itself, it is easily her **favorite café** as it is one of the few times she has to catch up with friends informally.

Steps to a Successful Segmentation

Step 7: Create Segment Strategies: “The Sophisticated”



Example of a Segment Strategy from the Retail Industry

Most Important Drivers

- Tranquility, a chance to “escape from daily stresses”
- Efficient buying (to quickly find what she wants)
- Bundling of goods and services to save her time
- Courteous, informed, and helpful service
- “Small things” in the shopping experience better (e.g. bags deposit, personal shopper)
- Opportunity to combine shopping with a social experiences (meeting point)

Most Important Barriers

- Lack of perceived quality in goods, service, atmosphere
- Hectic ambiance, cramped spaces, too many people, too much noise
- Waiting for help from personnel or at paying points
- Lack of signage (hard to find what she’s looking for)

Potential Levers for Growth

Target Behaviour:

- Increase average purchase amount per visit

Approach:

- Reinforce cross-selling of daily needed articles
 - Stationery, Household goods, accessories

Advertising:

- Ads emphasising tranquility of shopping experience and high quality of service and products in [a] newspaper and [b] magazine

Merchandising:

- Good signage and simple product displays

Additional Services:

- Cleaning / Alterations
- Personal shopping
- Spa / massage

Architecture of the Store:

- Spaces to facilitate store as a social venue
- “Quiet corners, places to feel well”

Steps to a Successful Segmentation If You Are Leading the Process...

Chances are you already have most, if not all, of the information that you need to develop a successful – e.g., insightful, meaningful and shared – audience segmentation

	What to Cover	Results
Workshop 1	<ul style="list-style-type: none">• Introduce goals and process• Brainstorm possible segmentation variables• Agree and define criteria for evaluating the variables <p><i>In between: Test variables for “meaningfulness” and rate on “actionability”</i></p>	<ul style="list-style-type: none">• Understanding of process• Long list of variables
Workshop 2	<ul style="list-style-type: none">• Discuss results from evaluation of variables• Select of key segmentation variables• Develop 1-2 segmentation frames <p><i>In between: Organise data for review to allow collapsing into segments</i></p>	<ul style="list-style-type: none">• Evaluation of variables• Hypothesised segmentation frames
Workshop 3	<ul style="list-style-type: none">• Review / collapse into segments• Begin to describe customers in each segment• Begin to prioritise segments / identify data needed <p><i>In between: Organise quantitative and qualitative information on segments</i></p>	<ul style="list-style-type: none">• Segments• Initial description and prioritisation
Workshop 4	<ul style="list-style-type: none">• Discuss known information about each segment• Agree segment prioritisation• Outline potential strategies for key segments	<ul style="list-style-type: none">• Prioritised segments• Strategies for key segments

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Discussion and Q&A

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**Communicating the Museum:
Creating and Implementing Strategies**

Effective Segmentation: A Foundation for Strategy
26 June 2008, Venice