

The Art and Science of Market Segmentation

by Dan Logan

MSNBC recently reported on an audit of over 650 senior marketers across the world. Conducted by the Chief Marketing Officer Council, the audit shows that the focus for marketing budgets in 2009 will be on efficiency and increasing customer insight to drive revenue and market share. In order to achieve this efficiency and insight, marketers will most likely undergo some degree of customer segmentation to properly identify where the most opportunity lies.

Market segmentation is nothing new and in fact, is a bit of a must while one determines their messaging and media strategy. Perhaps what might be new, however, is the challenge to go beyond the typical characteristics of race, gender, income and age and instead dig deeper into truly developing instincts about potential customers. In a sense, marrying traditional analytics with a little creativity.



Segmentation in 2009

The world has changed. Forrester Research just published Q1 2009 data on how B2B senior marketers will cope with the current economic conditions. 52% indicated that they plan to invest in marketing selectively to reach targeted segments. Another 24% will cut back their marketing plans but concentrate on targeted segments.

Also changed is the way we do business. More than ever, consumers are making decisions about companies based on a strong alignment of their own values. Things like integrity, objectivity and transparency are quickly becoming the rage. How does this influence market segmentation?

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It is no longer sufficient to put people in buckets or classes based on mainstream attributes. True segmentation will require multi-dimensional thinking that takes into account attitudes, behaviors and overall mindset. For example, ING DIRECT doesn't explicitly target the average bank consumer, but instead focuses on the consumer with a strong saving mentality.

Translate Research into Creative Opportunity

In the case of ING, they have structured their messaging and product offering around the idea of helping clients save their money. This idea is then leveraged and played out creatively through their corporate tagline—"Save Your Money"—and online banner ads among other things.

What this means to marketers and those developing products and services is that the opportunity for creative differentiation lies beneath the superficial attributes of your target audiences. One needs to get inside the mind of consumers to be able to anticipate their needs and align with their preferences.

Take Calvert Investments as a case in point. Offering the nation's largest array of sustainable and responsible mutual funds, they structure their core strategies around meeting the needs of the investor who values independent thinking and long-term, holistic views. And through carefully thought-out ideas, they've created initiatives such as the Calvert Women's Principles, which has heightened awareness of workplace issues affecting women, as well as the role of business in ensuring women's rights since launching in 2004. This allows them to be more of a niche player, attracting both environmentally conscious and women investors.

Sophisticated market segmentation strategies will continue to become more imperative as companies struggle to attract and retain clients. Furthermore, fully leveraging those strategies in unique creative executions will help you secure your rightful place in eyes and minds of those targeted segments.

“The US uses approximately 68 million trees each year to produce 17 billion catalogues and 65 billion pieces of direct mail.”*

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*Source: American Forest and Paper Association.