

There is more to creating meaningful segmentation than meets the eye, and segmentation for segmentation's sake accomplishes very little. Too many segmentation efforts pigeonhole customers into vague, meaningless categories. For instance, you will never hear an older female consumer call herself a "postmenopausal empty nester." Yet, you might hear a marketer describe her that way. She doesn't say that because that's not how she feels or how she sees herself. And, you can be sure the old gent down the street won't be trying to charm her with information about mood swings and hot flashes. He knows that's not the way to win her attention.

Focusing segmentation efforts on demographics or product buying patterns usually fails to reveal significant opportunities, much less anything your competitors don't already know. Statistical segments make it easier to display customers on a pie chart, but they do very little to determine what really matters and influences customer behavior. Statistical segmentation may give you data about what has happened with your brand, but it won't reveal the insights about why it happened or how to make more customers embrace your brand.

In this age of product and brand parity, it's nearly impossible to create a sustainable advantage based on simplistic segmentation or product differences. Try as you might, your customers just won't care. And, if you demonstrate success, your competitors will copy and improve on your insight long before your brand realizes any real market advantage.

#### **DON'T THINK DIFFERENT. THINK DIFFERENTLY.**

Of course, there are unlimited ways to slice up consumer groups. For instance, some people prefer laptops and others desktop model computers. You could further segment these two groups by demographics, attitudes, experience, work needs, media habits — you name it. These data may be interesting and useful, but they won't be meaningful in creating brand preference when consumers feel that several brands fulfill the same set of rational needs. A lack of brand preference forces people to resort to choosing products from a wide range of acceptable brands based on features like speed and memory. These are obvious and widely known features that fail to offer competitive advantage to any brand. When this happens, the market becomes commoditized and margins collapse, just as

we see in the current computer market. But, when a brand succeeds in looking past meaningless segments and fulfilling emotional needs, it can leverage these insights in ways its competitors cannot. Apple Computer is a great example of this.

Unfortunately, segmentation has devolved into one of marketing's greatest distractions. Obsession with segmentation causes many companies to spend excessive time and money creating prospective customer schemes while they are unable to produce profiles of their current best customers. If you aren't sure who your best customers are, how can you expect to find more just like them? Do you know who your best customers are? If you don't, that would be a good place to start defining a segment.

#### **LEAVING ROOM FOR SEGMENTATION**

None of this is to say segmentation isn't powerful when it focuses on what really matters. There are over 19,000 different ways to order a beverage at Starbucks. This has helped Starbucks turn coffee, a commodity, mind you, into a brand so well embraced that their shops have become destinations for millions of consumers. Coffee is available on nearly every corner, yet people pass by dozens of other shops on their way to Starbucks.

On Saturday morning, a customer wants a venti Chai soy latte and another customer wants a tall decaf coffee with room. By Monday afternoon, the same customers may switch to a grande iced black tea and a tall Mocha Frappuccino. Starbucks understands that it's important to meet picky, fussy, ever-changing customer desires by offering coffee and tea in whatever size, flavor, combination, variation or aberration the consumer wants. That's a lot of segmentation.

On the surface, this appears to be classic product segmentation, but when you look beyond the obvious to what really matters, you realize that it's something else altogether.

Yes, Starbucks responds to customer segments by providing nearly endless product variations. Yet what really matters is not the product, but how having these options makes customers feel. The magic of Starbucks lies in making customers feel like the company enjoys providing small but well-deserved indulgences to them. It's a service strategy enabled by product, not the other way around. What really matters is that all

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19,000 beverage combinations come with a smile that meets the needs of one very large homogeneous segment, widely known as “happy customers.”

The folks at Starbucks must have had way too much caffeine the day they decided on this strategy because the company clearly has to turn operational back flips to make it happen. However, unlike their competitors, they realize how much this matters. Starbucks has to do a better job hiring, training and motivating their employees to make sure the baristas can answer all 19,000 requests with a nod and a smile.

When Starbucks started out, it was just a coffee shop like any other, but it has become a near religious experience for many. Was its booming success a result of a great name? Yes. Operational excellence? Of course. Great products? Without a doubt. But their main source of success is that they know that little things like feelings really make a difference.

This is segmentation at its best because it embraces what really matters; emotional reward — the essential reason why people adore Starbucks. It's pretty simple: Give people something they can't get at any other coffee shop — make them feel good about themselves. They'll go out of their way and pay extra to get it. Now, there's a segment. Shall we call them “Mochafieds”?

## **WHOSE JOB IS IT?**

Clayton M. Christensen, the Harvard professor who coined the concept of The Innovator's Dilemma, tells us, “Customer segmentation (or categorization) should be based on the notion that customers ‘hire’ products to do specific jobs.” He declares that this is how consumers live their lives and that marketers who connect to this behavior have a much greater chance of success. “Instead of focusing on product attributes and on market size data, companies must learn what jobs customers want to perform with potential products, and use this as their marketing guidepost” (Christensen, 2004).

Brandtrust Emotional Inquiries® support Christensen's point better than he might imagine. In our emotional studies, we've repeatedly seen that satisfaction of a job well done answers

visceral needs in human beings. Consumers relate strongly and emotionally to products that help them meet this innate need. These implicit emotional needs strongly drive our behavior and unquestionably influence our brand and product choices. It only makes sense that the brands that connect to consumers on this level are preferred.

As Christensen suggests, it is the marketer's job to discover these needs, whatever they may be, and not to settle for artificial categories created by data dumps and statistical indications that don't reflect true customer insights. Otherwise, “This mismatch between the true needs of consumers and the data that shapes most product development efforts leads most companies to aim their innovations at nonexistent targets” (Christensen, 2004).

## **WHEN SEGMENTATION DOESN'T CUT IT**

Segmentation efforts fall short for two very simple reasons. The first is that most research techniques are ineffective at uncovering the real reasons why people do things. Endless attitudinal statements with “agree” and “disagree” scales have severe limitations. Most conventional research, by necessity, consists of predetermined questions and parameters that force research subjects into narrow channels of response. Additionally, the very nature of posing a direct question immediately primes the respondent's mind into “What's the right answer?” mode. From this perspective, it is almost impossible to uncover what may be truly driving their behavior.

Secondly, the very nature of segmentation forces marketers to portion the market in some way or another, hence the word “segment”. So, at the outset, market researchers are determined to find differences, which they do, even if they have to invent them.

Convention holds that segments should be labeled in some inane way — Gen X'ers, Reluctant Loyalists, DINKs (double income, no kids) and the ubiquitous Baby Boomers are but a few of the better known segments. Yet, Emotional Inquiry routinely reveals that customers are more alike than different at the source of their behavior — how a product or brand makes them feel.

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#### GETTING TO WHAT REALLY MATTERS

Brandtrust recently completed an important project for one of the world’s largest pharmaceutical companies. The company had a new drug about to enter the market in the wake of a successful competitor that had already captured a dominant share of the market. Both drugs are similar in their clinical efficacy profiles. A brand position for our client’s product based on unique product attributes was not possible. Nevertheless, our client had everything at risk if they failed to leverage something that distinguished their brand from the competitor’s. This was clearly an emergency situation and failure was not an option. Frequently, that’s when the call for emotional research comes in to Brandtrust.

Many clients have come to rely on Emotional Inquiry to solve difficult problems that are simply too complex for conventional research. In the case of this pharmaceutical client, the company had spent several hundred thousand dollars on a market segmentation study which failed to provide any significant insights that would create competitive advantage. Our emotional research revealed the answers they were looking for. The studies Brandtrust completed among physicians and patients led to clarity about the underlying psychology at play and critical insights about the product that mattered a great deal.

Our client used the psychological insights to position and launch their new product based on the promise of meeting an emotional need. In the face of a capable and fierce competitor, our client’s market share continues to climb and currently represents approximately 30 percent of new prescriptions written for this particular disease category. The product was the hero of the company’s 2003 annual report.

The product manager for this new pharmaceutical product had not previously utilized emotional research to determine brand positioning, but she was compelled to say, “I’ll never do a segmentation study again before emotional research establishes the essential psychological drivers. Our whole segmentation scheme for this product turned out to be very different and far more effective once we understood our consumers’ emotional drivers.”

Emotional Inquiry measures emotional responses to the entire experience of being a customer or prospect for a particular brand, product or service; not just to product attributes. Emotional Inquiry provides a clear view of categories of emotions based on the psychological needs and barriers driving behavior. These insights cannot be discovered with standard research methods. Emotional Inquiry produces insights and understandings that can be more predictive of future behavior than demographic, attitudinal or psychographic data. And, Emotional Inquiry certainly reveals the “job” customers want to do.

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## **BIBLIOGRAPHY**

**Christensen, C., Erik, R., Scott, A. (2004).** *Seeing What's Next: Using Theories of Innovation to Predict Industry Change.* Boston: Harvard Business School Press.

## **EMOTION AND TRUST**

Quite simply, business is built on trust. Making and keeping promises builds trust. Trust is among the most basic of human emotions. Understanding the real nature of consumer emotions is fundamental to success.

Brandtrust specializes in helping our clients understand the emotional factors that drive consumer decisions, create trust in the marketplace and engage employees in the workplace.

## **SOME QUESTIONS TYPICALLY ANSWERED WITH BRANDTRUST EMOTIONAL INQUIRY**

How do consumers feel about our brand? How do they feel about our competitors' brands?

Why do consumers choose one brand instead of another?

What is the best and most effective way to position our brand?

How can we build customer loyalty, and what dimensions of loyalty matter most?

Should we be advertising and what should we be saying?

How can we break through advertising clutter?

How can we determine what aspects of our brand are motivating to our customers?

What are the emotional "drivers" we can tap to attract new customers?

How can we position our brand to clearly differentiate it from others?

How can we realize higher margins on the basis of emotional benefits?

How can we measure and improve the effectiveness of our branding efforts?

How can we enhance our customers' experience so they do business with us more often?