



Segmentation or customers?

Markets have changed and marketing must do too. In this paper I propose an alternative approach to segmentation and show how it might affect the way we work including an update of what we have learnt from segmentation.

Introduction

Fifty years ago, customers had a better idea of where they stood; in the “C2 housewife under 35” box for instance. In a world of mass marketing, mass media and relative social order, segmentation made neat science of the black art of marketing and caught on in a big way.

In the 21st century, a few things have changed. Male and female roles blur and overlap, we postpone the ageing process as long as possible, we want it all and get a lot of it. We consume multiple messages, across more media and more channels.

From a marketer’s point of view, the customer is all over the place.

The very term segmentation, of neat partitions across society, is no longer a useful tool for the marketer seeking genuine customer understanding and business success. It is relevant in a world where power comes from controlling customers and markets - future success will come from an ability to understand and respond; to give power to the customer.

A more useful approach is to look for clusters and archetypes.. These clusters could be based on a place (say City workers in the coffee shop grabbing a cappuccino on their way into the office), on personal values (say former CND supporters are more likely to buy recycled paper goods) or on demographics (5 year old girls playing with Barbie).

By freeing the customer of the restrictions of segmentation we can move into a richer field of observing, understanding and taking appropriate action, marketing mirrors real life where we switch in and out of roles and behaviours all day long.

Clusters

Place - the honey pot

Like bees around a honey pot, customers cannot resist that which is enticing to them. When you strike a chord - with your brand, your communications, your product or the customer experience - the buzz starts. Successful brands become part of the consumer’s identity, at least for that moment in time... unless it’s a Harley Davidson tattoo.

And since most of us play multiple roles in the course of our daily lives, we are attracted to different honey pots and may meet different people at each one. Marketers may work out some of the dynamics between these honey pots, but woe betide those who tell us that because we like this we’ll love that. The last thing we want to hear is that we’re

being manipulated and managed - or that we're so predictable and dull that a complete stranger has got us sussed.

The advantage the honey pot has over the butterfly net is that customers are enticed not trapped. So the whole frame of mind is different; the customer has chosen to be there, may feel clever about discovering the right place to go and has already started a relationship with your brand. An altogether happier creature than the captive audience.

Values - the place of worship

Historically the church or the temple - more historically the sacred hill or stone circle - the quest for belonging and enlightenment is a fundamental human desire. Although an increasing percentage of the population detaches from traditional establishments like organised religion, formal Clubs (Rotary, Masons etc) or party politics - witnessing the decline in engagement in all of those activities; the desire is still there.

Alternatives such as self development, meditation, aromatherapy, the gym, the cult of the celebrity, clubbing, recreational drugs, football and intense sports are all increasing their following. Successful brands capture some of the elements of these activities and allow themselves to be about the consumer, not the product.

Demographics - an accident of birth?

There are still some dimensions of demographics that have such a high correlation with customer behaviour that they cannot be ignored; more men wear Y-fronts, more children play with toys, more black women use hair straightener.

The alert marketer though is always looking for a challenge to these. For example, Calvin Klein has stretched and shifted the gender boundary for underwear and perfume, the "I want one of those" catalogue takes boys' toys to all ages and the beauty products market is always finding new ways to appeal to customers aiming for a look to match their self image.

Making use of clusters

So in the light of all that, is marketing getting harder or easier?

Well marketing models are getting less relevant, but the true heart of marketing - understanding customers so you can offer them what they want in a way that appeals to them and is profitable - is the same as always. The end of tidy segmentation may instill panic in some, but it can also be liberating, allowing a more holistic form of marketing where communication skills are even more important, and getting inside the customer's shoes is the only viable option.

Step 1: Observe

As ever then, we start by looking and listening carefully. Not to check the customer is conforming to expectations (remember all those tracking studies?) but to work with the customer to define what is missing from his/her life and how our brand might help fill that gap.

There is a basic philosophical shift implicit in this approach. The connection between supplier and customer changes from a parent-child relationship into an exchange between equals. Regardless of age, gender, income or education level, the customer has a point of view and is no longer up for patronisation. No matter how illogical or inconsistent we might feel that view is, his/her perceptions are a major determining influence in the decisions that individual makes. Brands may seek to educate the customer, or encourage them along a particular path, but to do so they need to start WITH the customer and gain their trust.

Being a Customer Interpreter® becomes more important than ever. We must speak the same language as the customer if we are going to have any hope of communicating with them. And if we don't, it is we who must learn their language, not the other way round.

When you don't...

I was living in a capital city (not London) when the main pipe from the reservoir ruptured. Back up systems were in place but the reservoir was draining away. The City mayor announced that we had 30 days water supply and the pipe would take 45 days to repair. The logic was obvious - everybody had to cut back on their water consumption. But the communication was put out like a message from the head master. The reaction of most of the citizens was "Why should I cut back? Nobody else will". Water consumption fell by a pitiful 2.5%, with some unsavoury consequences. The message was targeted at the individual, but didn't recognise the individual's feelings about the problem.

Step 2: Communicate

Having observed, the marketer now needs to understand and harness their understanding of the customer's behaviour, and the dynamics or potential relationship - between the brand and the user of the brand.

For example, is this a new space in the customer's life? A new opening due to some change in lifestyle or technology? Or is it replacing another brand? How will the bond of trust be formed? How might the customer be convinced to bring the brand into his/her life?

The communications that spring from this approach are more likely to resonate with the customer. Observing again what happens will help with step 3.

Step 3: Be flexible

The first solution may not be the right one. Danny Boyle, director of *Trainspotting* and *The Beach* among others, explained in an interview that having a big budget could reduce creativity because you could always do whatever you thought of first. Constraints, like time and money can be a trigger for a much better idea.

The impact of traditional mass media advertising is declining. Digital TV, TiVo, channel hopping and interactive TV all make it harder for the traditional marketer to target his/her presumed segment, and get the message across. The consumer is swamped by messages and responds by disregarding more and more of them.

At the same time, consumers are increasingly marketing literate and can dissect marketing communications. Focus groups quote chunks of your marketing strategy back at you as though they'd been handed the brief on the way in.

However, customers do still listen - when there's **something in it for them**.

Underground campaigns, buzz marketing, word of mouth and smart sponsorship are all growing. Being surprising, intriguing, involving, entertaining is more important than ever.

In the same way that discontinuities in quantum mechanics allow some particles to tunnel through, or chaos theory yields astounding changes, the marketer must be ready to take risks in this less predictable world. They must take risks with their own thinking, daring to get out of the comfort zone of the old ways, risks with other parts of the organisation that may need some convincing of new approaches and the risk of believing that the customer actually already knows what they want.

If some of your marketing plans have an element of interactivity, then you can combine all three of these steps in an ongoing dance of improved communications. An e-mail sent out by a consumer website last year hit its target within 20 seconds of transmission. Beats waiting three months to see if sales figures improve.

Out of the ashes

Of course all of the above isn't to say we should jettison everything we ever learnt from segmentation. We can take many lessons forward to this new world of clusters. A quick look at the three areas below shows how some earlier learning can be a platform for good cluster management.

Market research

Quantitative studies have always been a great way of measuring and ranking agreed segments. Unfortunately they only help if you really know what your segments are, and can be sure they haven't changed.

In recent years, smarter ways of questioning the respondent have evolved, where the segment is inferred from behaviour rather than allocated.

Market research agencies will be familiar with the pressure from the client to have neat, discreet segments as that simplifies the rest of the marketing process. However where that is no longer appropriate it may be more useful to encourage the client toward a cluster approach, where some customers may appear in several clusters, according to time of day, role or even mood.

Qualitative research can continue to provide useful insights to the dynamics of clustering, and identify potential risks associated with communicating the wrong message at the wrong time, as well as solutions to those risks.

Marketing strategy

All this talk of discontinuities and fuzzy logic isn't a license for random marketing and lack of clarity.

It still helps to have some idea of what you are trying to achieve and why, how it will contribute to the organisation, how far you've got along the journey.

Changes in the market may mean it makes sense to talk to the customer before developing the strategy, and not just for ratification afterwards. It may also mean the strategy is more of a guideline and less of a rule book. It will certainly mean the strategy needs to be understood by everybody, simple, clear and relevant, with enough flexibility and self confidence to stretch to accommodate changes in circumstances.

Marketing communications

It's an old adage that communication is a two way process. But you'd hardly think so to look at the advertising business over the last fifty years. Imagine a conversation where you talk for half an hour and then the other person can write to a trade organisation if they didn't like what you said. Or fill in a form in two weeks time with their comments - well, what they can remember of them.

So communicating with the 21st century customer requires listening, interaction, a chance for them to be involved. Look at the way text messaging and voting added to the success of Big Brother.

Conclusion

Segmentation had its place in marketing evolution. But today's customer is no more enthusiastic about being put in a box than we would be ourselves.

We must treat the customer with genuine respect - and that no longer means just giving them good service. It means recognising that they have a point of view, that we can learn from each other, and it takes two to tango.

If you feel that the content of this article has some relevance for your business and would like to discuss further, contact me for an initial discussion of how we might work together to improve your business.

Segmentation is dead, long live the customer. And the marketer!

[Back](#) to main website