Experience Customer Segments – First hand
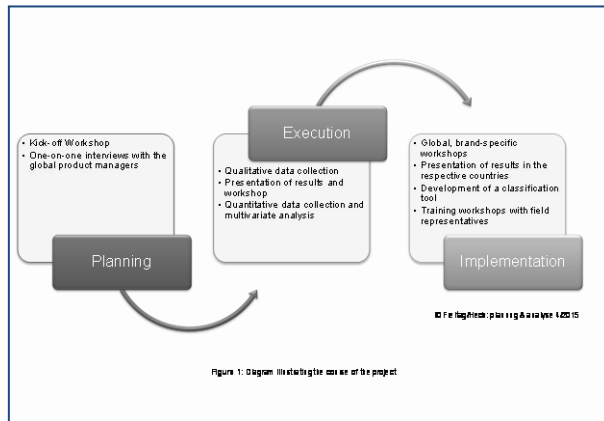
Abstract Methodologies and procedures to build customer segments are frequently discussed. However, the question how to use and implement a segmentation in a company often remains untouched. Using a current project as a case study we show how one can turn a theoretically sound segmentation into a useful marketing tool. Acceptance and involvement of internal stakeholders is key during the whole process in order to bring a segmentation into being. A close cooperation between market research, marketing, sales and management supported by different communicative measures such as workshops, presentations and one-on-one interviews may be considered as a success factor. The willingness to compromise and to consider individual reservations, needs, and barriers are preconditions. Market researchers within the company should take the role of a "segmentation champion" while external market researchers act as independent consultants.

Methodologies and procedures to segment customers are frequently and thoroughly discussed in literature. This includes alternative approaches to segmentation projects, appropriate methods for data collection and analysis, as well as the illustration of examples from practice (see McDonald/Dunbar). Moreover, the question how to measure the economic benefits of a customer segmentation project is becoming increasingly important in marketing controlling (see Ziehe). However, the stage in between, namely the question how the results of segmentation projects may be implemented and utilised within a company, has been largely neglected. In this article, we are going to share our experience from a current international project and furthermore develop guidelines for successful implementation of segmented marketing.

The objective of the project was to segment veterinary specialists for small animals in different European countries, in order to allow global and local marketing teams to better tailor their products and services to the target group, and to improve customer focus, particularly among field representatives. This first and foremost requires the whole company to actually "live" that segmentation and to implement the segment perspective into daily work routines on various company levels, instead of just acknowledging its existence in theory. Two important prerequisites to achieving this goal are:

- Everyone involved must "understand" the identified segments and acknowledge their existence, and additionally be able to recognise the segment a customer belongs to (customer segmentation requirement).

- Everyone involved must see a personal benefit in taking the perspective of customer segments, for example easier working conditions as well as more effective and more efficient communication (implementation requirement).

Figure 1: Diagram illustrating the course of the project

Under these circumstances, it is absolutely imperative that the segmentation process as well as implementation of segments is openly communicated, and that all relevant stakeholders in the company are included early on. Following the three stages of the project's process – planning, execution, and implementation – we used numerous means of communication, like for example presentations and interactive workshops (see fig.1).

Implementation starts with planning

Precisely determining the scope as well as the actual process of the project is the organisational objective of the planning stage; the substantial objective of this stage is to develop a segmentation model. Furthermore, it is also important to already consider its eventual implementation at this early stage of the project. Together with the company's managers, it is the market researchers' main job to facilitate acceptance of the segmentation project as such within the company during the planning stage, regardless of its results. Due to their spatial and personal proximity, the in-house market researchers are especially important for this task, while the external institute is ready to assist and to give advice. Right from the start, there should be at least one person from the company's own market researchers who assumes the role of a "segmentation champion", takes the project forward, and who is always ready to answer any questions to arise.

In order to achieve the goals mentioned above, we decided to have a kick-off workshop followed by one-on-one interviews within the company, while also keeping in mind the eventual implementation. The participants of the workshop were the company's global product managers (Strategic Marketing) in addition to internal and external market researchers, who were mutually responsible for organising and facilitating this workshop and other events. At the beginning of the workshop, we presented the proposed

approach and the segmentation process. Furthermore, we explained the benefits and limits of segmentation projects in general.

During the course of the workshop, the main task was to collect all the knowledge the company already had about their veterinarian target group and possible segments, which was to be utilised in the segmentation analysis. Based on the participants' experience, the topics intended for subsequent customer surveys were determined by using various brainstorming techniques; the topics included for example general satisfaction with the veterinary profession, the perceived opportunities and risks, the financial situation of veterinary practices, but also the veterinarians' information behaviour.

Following the workshop, the product managers were interviewed over the phone in order to record what each of them would expect of a segmentation. Furthermore, the product managers were asked to explain how they would envision successful implementation of a segmentation project in the company, meaning by whom and how the results should be utilised. It was a conscious decision not to have this discussion during the workshop, in order to give all participants an equal chance and the same amount of time to voice their desires and opinions. This additionally provided the participants with an opportunity after the workshop to reflect on the suggested approach and to compare it with their own ideas. The market researchers subsequently refined the research design based on the results of the kick-off workshop and the one-on-one interviews; as a result they devised a model for the customer segmentation.

The workshop – but particularly the one-on-one interviews with the product managers – led to all stakeholders feeling fully included in the segmentation process from the start. Their ideas and desires were taken into account, enabling them to actively shape the process.

Execution must not remain a black box

In order to maintain and strengthen the acceptance created during the planning stage, it was important to keep the strategic marketing people involved in the subsequent execution stage as well, which included the actual formation of segments. For example, the product managers were asked to subedit the interview guidelines for the following in-depth interviews with the target group. In addition, some of the in-depth interviews were conducted in a central location and broadcasted via web stream to allow observation by the product managers.

Another workshop took place after the in-depth interviews had been completed and assessed. The external market researchers presented the qualitative results chapter by chapter, adding the experiences of the global product managers that emerged in the ensuing discussion. The group used Metaplan boards to develop dimensions that seemed suitable for forming segments that were homogeneous in themselves but different from each other. Based on those results, the quantitative questionnaire was

developed which also had to be approved by the product managers. Even though the project required more time due to frequent feedback and synchronising efforts, we know from our experience that continuous collaboration with and contribution from the relevant stakeholders is absolutely crucial for implementation in the end. Furthermore, the close cooperation of external market researchers, in-house market researchers, and strategic marketing representatives enabled us to ensure that all relevant topics had been considered – because a segmentation project that is based on faulty hypotheses cannot be implemented successfully.
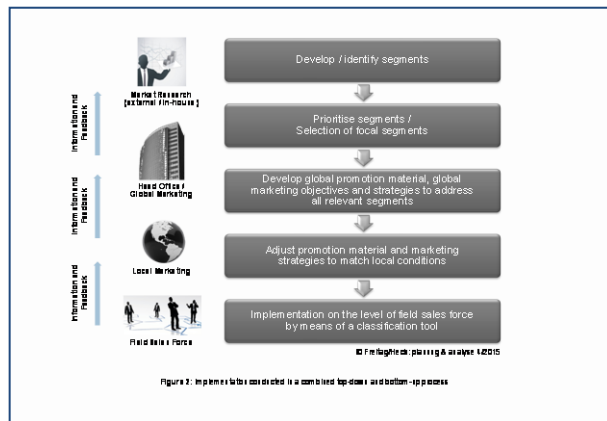
Based on a quantitative online survey, five segments that are valid throughout Europe were ultimately identified using cluster analysis.

Before the results were presented to the global product managers, the internal and external market researchers first discussed the segments and "sharpened" the profile of each segment. During this presentation we made it a point to interact with the participants.

The results of the qualitative and quantitative survey were combined, direct quotes presented, and pictures used in order to breathe life into the individual segments. After the presentation of each segment we inquired if the participants knew this "type" of veterinarian and also asked them for respective field reports from practice. On the one hand this approach served the purpose of verifying our results; on the other hand it was used to create additional involvement and thus acceptance among the stakeholders.

After the presentation and discussion of the results, product-based workshops were held in order to better familiarise the strategic marketing teams with the segments. Additionally, it was necessary to establish the practical relevance and usability of the segments.

Using a simple scoring model, the marketing teams of each product were first supposed to prioritise the segments according to their sales potential for the respective product. Subsequently, a rough draft of a marketing strategy was drawn up for select (interesting) segments whilst taking into account all aspects that are important to a segment's representatives (for example additional services in practice management or innovative products). It was discussed how the marketing mix could be designed to have something to offer all relevant segments.

Figure 2: Implementation conducted in a combined top-down and bottom-up process

Under Furthermore, we defined how the segmentation should now be used in daily business by the company (see fig.2). The scoring model from the workshop supplies Global Marketing with information on which segments to focus on. Provision of the appropriate materials and activities was defined as a task for Strategic Marketing. It was decided that having separate strategies or specific materials for each segment is not feasible, since this would significantly increase cost and complicate work processes – especially for field representatives. Instead the efficient utilisation of the segmentation results should be ensured by developing global materials, marketing messages, and measures, while the segmentation project itself aids in selecting and prioritising the latter. On a domestic level, these materials should be adjusted to national customs and characteristics, as is already common practice in the company. Field representatives should receive a tool to help them allocate the visited vet to the appropriate segment, and to select suitable promotion material accordingly.

While this may sound simple, it actually turned out to be a major obstacle in daily business. The challenge was to demonstrate the segmentation's benefits and how it would reduce the actual workload, while employees claimed at first it would actually make their job more difficult. Global Marketing assisted in selecting two countries for the pilot. In each country we conducted two successive 1-day workshops (a planning workshop and a training workshop).

Planning Workshops with Training Exercises

During the planning workshops the segmentation results were presented to the local marketing and sales managers of the two countries. This was followed by a few practical training exercises in order to ensure a profound understanding of the results. For example, the managers were supposed to bring promotional material that is usually well received by some veterinarians, but considered rather unappealing by others. Over the course of the workshop it became clear why the very same communication strategy did not work out with every customer as well as intended. Furthermore, it was apparent that not the actual message but rather the manner in which it was conveyed needed to be changed. Another exercise included simulated conversations. One participant would assume the role of a veterinarian from a certain segment (without disclosing this information), while another participant started his pitch as a field representative. It was his task to identify the vet's respective profile. Afterwards they switched roles. This helped them to put themselves in the position of the different segments, so they would

understand the different needs and attitudes of the target groups, and which communication approach would be appropriate.

Subsequently, the follow-up workshop for the field representatives was planned and prepared. The planning workshop represented an important step to signal to the different domestic teams that their global head office would not "force" anything upon them. Particularly in large enterprises, a strong sense of scepticism often prevails in domestic subsidiaries if the global headquarter decides to implement a new approach on the local level. Hence, essential steps towards a successful implementation were planning and discussing the approach with those affected, adjusting to local needs, and tapping into local experience as well as market insight beforehand. At the same time this was a prerequisite for creating a positive and constructive atmosphere during the following workshops with the field representatives.

The training workshop with the field representatives was consciously designed to contain many interactive exercises, so that the participants would learn about the segmentation results and internalise them. Various workstations for the different segments were installed across the workshop room, each of them featuring promotion material and information on the segment in question. There the participants had the chance to quickly familiarise themselves with the subject before starting the hands-on exercises. The participants were divided into pairs. Over the course of the day they moved from station to station in order to familiarise themselves with all profiles if possible. Everyone started out with a so-called "box exercise": At every station there was a box containing various objects. The content of the boxes was identical at every station. The task was to select items from the box that would match the segment of the respective station. Hence the participants now also dealt with the person representing the respective segment in a practical and creative way, after having absorbed the information only on a theoretical basis at first. The interview simulations described above as well as some additional tasks followed these exercises. In order to collect the opinions from the employees who would have to work with the results "out there in the field", the participants were continuously asked for feedback and to reflect on the relevance of their experiences and the information they had learned. The interactive approach quickly helped to eliminate initial scepticism, which resulted in positive feedback from all participants regarding the relevance of the topic, the training programme as well as appreciation for their knowledge and experience. Furthermore, the design of the classification tool for the field sales force was also fundamentally important; the field representatives explained that, in their experience, customers would often make very little time for pitches. Hence it would be impossible for the field representatives to conduct (short) interviews with the vets in order to classify them. As a compromise between scientific requirements and real-life conditions, the tool now considers the results of a discriminant analysis in simplified terms, and it allows the field representatives to classify veterinarians by observation and without having to ask numerous questions. The tool was introduced during the training workshops and revised based on the participants' feedback.

In order to prevent any language issues, some of the training workshops were conducted in the respective local language. While this did not make the organisation process any easier, it did facilitate open and honest communication among the participants. This also had a positive impact on the level of acceptance of the segmentation.

Conclusion

In order to successfully implement a segmentation project in a company, internal acceptance and proper targeting is vital at every level; theoretically accepting the segments is not enough – instead, the segmentation project has to be "lived" by the stakeholders. In order to achieve this, it is necessary to identify all relevant stakeholders early on and get them involved in the process. "Implementation" has to be the main objective right from the start, and should therefore also be the guiding theme and central focus of the process. Our example shows that this can be accomplished:

- When internal and external market researchers (and additional people, if necessary) closely work together. While the in-house market researchers assume the role of "segmentation champions", the external market researchers act as independent consultants and experts. It may also be appropriate to involve additional external experts and advocates.

- The adoption of numerous communicative and interactive measures in the company, like for example workshops, presentations, and interviews, leads to a win-win situation in the segmentation process. Trust, acceptance, and involvement can be created on the part of the stakeholders – prerequisites for making them want to "live" the segmentation in the future. At the same time their market knowledge can be used, thus ensuring the practical relevance and feasibility of the segmentation. These measures should be included for all company levels in the course of the project right from the beginning. They require extensive preparation and follow-up, which must be considered when planning the budget and timing of the project. If the need for additional presentations or workshops arises over the course of the project, there should be adequate flexibility to hold these so as not to jeopardise the success of the segmentation.

- In order to achieve the respective workshop objectives and to increase the participants' willingness to cooperate, traditional workshop methodologies like brainstorming, Metaplan boards, posters, and group assignments have proven to be beneficial.

- Market researchers must be willing to compromise; sometimes they will have to choose the second best approach in order to guarantee practicability. Of course, the methodologies and procedures must be well thought through, and the principles of market research and data analysis must not be neglected. Instead, great methodological knowledge and creativity is needed to adapt established

methods to meet practical requirements. We could see this while developing the classification tool, for example.

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