

Taking a different perspective

Needs-based segmentation

Market management consultants Stefan Grafe and Alan Fairnington provide *Research News* with their thoughts on segmentation, bringing a three-pronged perspective – as a client, user and supplier.



In our work across many categories we see two key challenges facing segmentation and its future relevance.

Challenge 1:

Most segmentations use the same approaches of socio-demographics, U&A and geographic data. Not surprisingly the segments they produce tend to look much the same as anyone else's (including their competitors').

Challenge 2:

Segmentation is done to identify a client's opportunity to grow most efficiently. Clients demand practical guidance and inspiration deeper into the organisation and further into the future. Segmentation around the usual criteria doesn't offer a lot of insight when it comes to creative, product development and sales and service. It doesn't provide enough help in changing people's behaviours.

Integrating deep psychological needs into the segmentation

The integration of deep psychological needs into the segmentation has a number of advantages:

- Usage and attitudes are merely symptoms of underlying needs and motivations. Segmentations become really valuable if we can understand the depth of 'why'.
- By modelling the needs for the client's specific category and business strategy, clients

get to understand the future needs in their category, as well as the current – making the segmentation far more valuable in future-oriented strategy development.

- Need states are not static. Including a needs perspective into the segmentation enables us to understand likely needs changes and become active in transitioning customers.

The client perspective

Former corporate marketing director at Singapore Health Promotion Board Vernon Vasu explains that 'in order to change people's behaviours in looking after their health, we needed to shift their deep-seated needs'.

"That's especially true in a complex area like health. Needs-modelling has given us that understanding and provides an ongoing tool for strategy and campaign development," he said.

Lumo Energy's insight and strategy director Tom Hurst chose to include needs-modelling into the segmentation because 'the understanding of the deep psychological needs is a valuable input into the quant'.

"Once the segments are determined, the rich needs base is critical in developing and seizing the best opportunities," he said.

A case study

- 1) For this client the first decision was the choice of supplier and methodology. After reviewing the different approaches, the client chose one

supplier for the needs-modelling and one supplier for the quantitative modelling work.

- 2) The needs-modelling specialist developed the category needs model and psychological dynamics.
- 3) Together the two suppliers optimised the statements representing the needs identified and combined them with the rest of the segmentation questionnaire.

The initial factor analysis showed that the needs identified provided half of the factors that determined the different segments. The subsequent segmentation resulted in six segments that could be described in terms of socio-demographic, U&A and geographic aspects.

The needs-modelling supplier then went back and reconciled the segments with the underlying needs and described the psychodynamics at work in the segment, bringing in the 'why'.

Furthermore, the needs specialists reviewed the segments based on the needs and developed segment profiles of how well these needs were fulfilled and how this could be improved, providing strategic pathways for the client.

Finally, the two suppliers and client together developed workshop formats and playbooks to help every function and partner to understand the 'who' and the 'why', the opportunities and how to get the most out of them.

If we want to change behaviours, we need to know why people behave the way they do.

Including the needs perspective into segmentation provides our clients with a more potent tool to manage and shape their markets.

Stefan Grafe is the founder of next brand & market consultants. He has worked as creative and strategy director and head of consulting for Bates and BBDO globally and is the co-developer of HuTrust, a globally licensed tool to analyse, build and manage stakeholder trust. Before establishing Duxton Consulting in partnership with next, Alan Fairnington was JWTAsia-Pacific's president and a JWT worldwide board and executive committee member.

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