

## intelligence vault MARKETING

### how to segment customers behaviourally

~ Mark Healy / Partner / Torque

When I was a little kid, about once a week my dad would take me to the local corner store in my very small home town. This was in the days when convenience stores in Quebec were still called convenience stores, before they morphed into dépanneurs. Anyway, I'm already off track, and dating myself. One summer, what my dad would buy me never varied – a stubby glass bottle of Hires root beer and a box of Smarties. And my routine never varied. I would sit in the kitchen and empty all the Smarties on the table. Then, I would methodically separate the pieces of chocolate gold by colour, and arrange them in sequential rows. If there were more of a particular colour, I would consume those additional Smarties until I had perfectly matching rows of colour.

The point here is not that I was obsessive-compulsive starting at a young age, it is that even back then I was a segmenter. That I spent a number of years studying and practicing biochemical engineering is inconsequential. I found my way back to my true calling. As a marketing consultant, I spend a lot of time and energy trying to understand my client's customer segments. When I was four, I was focused on demographic segmentation – grouping by descriptor. I'm a bit more savvy now – I group by behaviour. Good marketing segmentation these days has a lot less to do with age/gender/postal code, and a lot more to do with understanding not who the people are but the how's and why's of their decision-making processes. It's more intuitive, and tells you a lot more about your real customer groupings. And this in turn tells you what buttons to push in each segment, driving your marketing messages.

"What the hell is Healy talking about here?" Stay with me. I always use the same analogy when explaining this: read any classic marketing analysis relating to who buys a Ford Mustang, and this is what you'll see: 25-35-year old white male, single, middle class income. Demographics. I promise you that if I draw a blood sample from any 30-year old white, single male, there will be nothing in his DNA that predisposes him to buy a Mustang. What is more likely is that Ford Mustang drivers tend to be image conscious, mild thrill seeking individuals who put styling ahead of reliability on their list of buying criteria. (Before I get nasty letters about the reliability of Mustangs, I'm just saying it's not up there with the Corolla, okay? I drive an Envoy, for the record.) It's easy to miss the 40-year old female divorcee, or the 50-year old immigrant when trying to box customers into one demographic. The point here is that if Ford is messaging around the 30-year old white single male, it will likely miss some potential customers outright, whereas if the messaging is around the styling of the car and the thrill of the drive, it will hit that behaviour segment dead-on and sell more cars.

The concept is cool, but does any of this actually matter? If you're running a business, you bet your Led Zeppelin greatest hits albums it does. For starters, great marketing puts the customer (not the product, not the brand) at the centre of all thoughts and efforts. And not all customers are alike – they are grouped into segments. So, segmentation is really the heart of marketing. Secondly, segmentation focused on underlying behaviour patterns will get you a lot closer to the panacea of marketing – right person, right message, right time – than demographic segmentation ever will.

Wonderful. How do you sort out your customer segments, based on behaviours? Well, like anything else in business there are complex means of doing so, but there are also some simple rules which will get you started in a big way. They all involve talking to customers – surveys, interviews, intercepts, focus groups – for now the details are not important, what is important is getting inside the heads of customers to figure out how they make decisions.



### 1. Buying criteria is key

If you only asked your customers one thing, this would be it: "What criteria do you use when you purchase my product/service, and in what order?" There are obvious criteria: price, quality, after-sales support. But you may find others you didn't know crept into the buying equation, like relationship with sales representative, trust, corporate social responsibility and simplicity of transaction. If 50% of customers rank quality #1, and 40% rank after-sales support #1, you have two strong segments. And, at a bare minimum, buying criteria will tell you what messages to harp on in each segment. Here's an example. We did some work about a year ago for a computer chip maker. They were about to launch a big, expensive, flashy TV campaign aimed at SMBs – the theme of the ads was speed: this chip was way faster than any competitor. Problem is we found a very large segment (70%+) who ranked reliability #1 and speed #4. This alarmingly large group didn't care about speed. Oops.

### 2. The buying process is next most important

This seems pretty obvious too, but we're continually amazed at how complex the purchase process is for everything from corporate telephony services to magazines. The object of the game here is to map out the steps in the process different groups of people take that ultimately lead to purchase. If you find three distinct processes, that's a pretty good indication you have three distinct customer segments (and chances are their buying criteria order could be different as well). You want to pay particular attention to the influences (TV?, word of mouth?, referral?, company reputation?, etc.) and influencers (spouse?, sales rep?, co-worker?, industry expert blogger?) in the process. This will tell you both where and when to unleash your marketing messages on your customer segments.

### 3. Talk to non-customers

Rules 1 and 2 are crucial, but only help you segment your existing customers. You may be missing another segment(s) entirely. The only way to find out is talk to people who aren't buying your product/service and find out why. Asking questions like what specifically has stopped them from purchasing from you in the past (didn't know about you?, price?, thought you did something else?, quality reputation?) and why they buy your competitors' products/services – along with criteria and process questions – may uncover a segment or two for you that you are not currently targeting at all but could easily pursue.

Might be a good time to ask yourself how well you know your customers. And if your answer is shaky, conducting a basic customer segmentation – based on behaviours, not demographics – is probably a good place to start.

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