

The New Market Segmentation

If you're trying to segment your market in the traditional way, what you may be looking for would be groups of consumers sorted out in such a way that a certain likeness exists within each group, and a difference exists between them. The variable determining the meaningful likeness or difference between those groups would be the segmentation variable. A trivial segmentation variable, just for the sake of demonstration, would be hair color. However, after having segmented the customers into groups, it is reasonable to assume that you would expect to do something with it. Let's say that you have decided to target a certain segment. You would probably want to do some marketing activities that will appeal to this segment, or else, to communicate some kind of enticing message to it. Sometimes, the segmentation variable could suffice for the purpose, ("listen to me, all you red-heads out there"). In most cases (for instance, the segment of those who consume beer only out side their home), you would have to characterize your segment before you could address them. In other words, you would have to define what describes the customers in that segment, beyond your segmentation variable, and also, what makes them different from consumers in other market segments. The characterization of your segment is a task that is not the same as defining your segment. It is a distinct next step. But now, if you can be truly sincere with yourself, I'm convinced that you have already found out that it does not work. In the distant past, and in traditional societies (sectarian) the people's behavioral patterns were pretty much modeled by their affiliation to a certain gender, a nationality/tribe/race, a certain religion, a social/economic status, a profession, and an age group, much more than today, anyway. There were clear clusters of elements pertaining to appearance, general behavior and particularly consumption. Then, back in those days, if you knew one element of a particular cluster, you could quite easily guess the others. But all this has changed. As people are becoming gradually more individualistic, and as possibilities have multiplied, people have become less and less definable as types. First of all, let's face it, our consumer refuses almost completely to abide by segments that create homogeneous groups (heterogeneous from others) according to demographic, socio-economic variables, or even according to lifestyle. Our customer will not behave and consume under our stereotypical forecasts. He is a "collector", and therefore I call him the "eclectic consumer". He likes the old (Frank Sinatra), as well as the new (fast internet), the expensive (BMW) as well as the economical (hardware do-it-yourself stores), the international (Giorgio Armani) as well as the locally rooted (folk dancing), the epicure (a double Makiato) as well as the crude (football). The eclectic consumer has become frenzied by the abundance of opportunities, and is now addicted to the concept. He does not want to miss anything and so, his life is multiplex, yet laden. So, how do you market to the eclectic customer who is afraid of missing out One central insight for the re-designing of market segmentation is as follows: the eclectic consumer, who will not miss anything, "connects" to different, even contradictory, motivations he has at different times. Because these motivations are not necessarily compatible with one another, the eclectic consumer is constantly in motion from one stereotype to another, from one lifestyle to another. In order to adapt to this consumer reality, our segmentation (and subsequently, our products and services, our advertising and so on) should be formulated not according to groups of people, but according to motivations and uses. Note that when I refer to "uses" I mean, among other things, psychological uses, such as mood control, self-esteem enhancement, and fantasy support, and I also mean social uses, such as signaling others things like group affiliation, specific atmospheres, or impression control. The new method is called "Contextual Segmentation": segmentation according to contexts of purchasing or using/consuming. Note that this constitutes a formation of a real revolution in segmentation thinking. Some of you would probably comment that this is not so much about segmentation as it is about consumer behavior analysis. Well, let me answer you. Let us recall the original purpose of market segmentation. It is the furcation of the market into smaller units enabling us to focus our marketing/branding/advertising activities, and to achieve differentiation, so that we could win advantages we could not get when working with the entire market. The search for small consumer groups has evidently stopped delivering results. However, the pursuit after groups of "purchases/consumptions" rather than of people, could offer new horizons. Let us sharpen things a little. According to the old segmentation, each group is characterized by a need/preference/motivation. The new approach preserves this concept. Yet, in the new reality, and according to the new approach, the motivation is no longer common within a defined consumer group. A "segment" is now a group of "purchases/consumptions" qualified by a certain context of purchasing or consuming a product plus a specific motivation. When we segment according to this approach, we analyze consumer behavior; we identify the various contexts of product consumption, and the different motivations that characterize consumers who experience those contexts. The new relevant segments could consist of certain moods (such as the "I'm going to teach that husband of mine a lesson he's never going to forget" segment), certain social situations (such as the "Wow, I haven't seen YOU in a long time" segment), all according to what is relevant to that specific product category. Note that when we meet a given purchasing context (a dinner at a restaurant) there are varied consumer motivations that exist ("tonight we're going out solo, no kids", versus "we're celebrating grandpa's birthday"), and they would be considered different market segments. A specific consumer is likely to participate in one segment, few segments, or no segment. Nevertheless, much like the old segmentation, every segment accounts for a share of our sales, and we can do our profitability calculations accordingly. According to Contextual Segmentation, then, our marketing activities, at all levels, should be aimed towards a context of purchasing/consumption plus a certain motivation, and not towards groups of consumers.

About the Author

Dr. Dan Herman, a globally renowned strategy consultant, an author and a lecturer, is the author of "Outsmart the MBA Clones: The Alternative Guide to Competitive Strategy, Marketing, and Branding" (<http://www.outsmart-mba-clones.com>). The book is available from amazon.com.