SEGMENTATION

Design & Delivery

Lisa Stahl
Yanina Seltzer
Who are we? Why are we here?

What do you hope to learn from this webinar?
TODAY’S AGENDA

1. CUSTOMER-CENTRICITY & SEGMENTATION

2. CUSTOMER SEGMENTATION: Design
   - Find your Starting Point
   - Plan & Take Action
   - Refine & Finalize

3. CUSTOMER SEGMENTATION: Delivery
   - Showcase your Results
   - Apply your Findings
   - Track & Measure over Time
TODAY’S AGENDA

1. CUSTOMER-CENTRICITY & SEGMENTATION

2. CUSTOMER SEGMENTATION: Design
   Find your Starting Point
   Plan & Take Action
   Refine & Finalize

3. CUSTOMER SEGMENTATION: Delivery
   Showcase your Results
   Apply your Findings
   Track & Measure over Time
At the heart of segmentation is a deep understanding of common characteristics of your customers, which can make the difference between an unused and a successful service.
CUSTOMER
“Customer centricity is defined as the ecosystem and operating model that enables an organization to design a unique and distinctive customer experience. This architecture enables the business to acquire, retain and develop targeted customers efficiently for the benefit of customers, employees and stakeholders.”

Doug Leather, The Customer-Centric Blueprint
CGAP’s Segmentation Toolkit

How To Use This Segmentation Toolkit

Follow the decision tree to see how much you may already know about customer segmentation. Your knowledge level will lead you to Path A, B, C, or D. Your path will guide you through the toolkit elements that can benefit your organization the most.

1. How experienced are you with customer research and segmentation?
   - Somewhat, or not very experienced
2. How well do you know the market you’re considering segmenting?
   - Like the back of my hand.
3. Do you have any resources for conducting a segmentation effort?
   - May be I could dig a bit deeper.
4. How well do you know your customers?
   - No, really. How well do you know your customers?
5. No, really. How well do you know your customers?
   - Quite confident.

- Path A offers a few basics to keep in mind for later.
- Some external expertise might really help your organization. Follow Path B for time-saving options.
- There are some great ways to pick up knowledge without high costs. Follow Path C for low-cost options.
- Skim the toolkit along Path D. You may find a few tips and tricks you’ll like.
Why Conduct a Segmentation?

A bird’s-eye view of the market may tell you there’s an overall opportunity but provides no insight into various customer needs or who to focus on.

Customer segmentation reveals nuances in demographics, attitudes, and behaviors. These differences may help you identify where your products and services can fill unmet needs and provide the most value to you and your customers.
Why Conduct a Segmentation?

FOR THE FIRM:
When dividing a market by key customer characteristics, big differences in customer value are revealed themselves.

FOR THE CUSTOMER:
Defining and understanding customer segments helps to better serve your customers.

VOLUME = TOTAL MARKET OPPORTUNITY

FOR THE FIRM:
- The market (5M people) seems to be interested in a variety of products - from current accounts and small loans to savings products. Some people are served by the competition, but a large portion (40 percent) are currently not served by any financial institution at all.

GROUP CHARACTERISTICS:
- Need for financial transactions for their moderately successful businesses.
- 20 percent are currently unbanked.

ADAPTED MESSAGING:
- Appeal to efficiency (time and cost savings).

VOLUME = TOTAL MARKET OPPORTUNITY

FOR THE CUSTOMER:
- Market Value: $18.75M
- Average Opportunity: $25 per year
- Number of People: 750K

FOR THE FIRM:
- Market Value: $6.25M
- Average Opportunity: $10 per year
- Number of People: 625K

Not a target due to segment size and low average opportunity per customer.
Debunking the Segmentation Myths

IT'S TOO COSTLY

IT'S TOO COMPLICATED

IT'S TOO ACADEMIC
TODAY’S AGENDA

1. CUSTOMER-CENTRICITY & SEGMENTATION

2. CUSTOMER SEGMENTATION: Design
   - Find your Starting Point
   - Plan & Take Action
   - Refine & Finalize

3. CUSTOMER SEGMENTATION: Delivery
   - Showcase your Results
   - Apply your Findings
   - Track & Measure over Time
ACTIVITY #1

ACTIVITY 1 - CREATE THE MISSION

1. DEFINE A PROBLEM

ACTIVITY 2 - MAKE IT SUCCESSFUL

ORGANIZATIONAL COMMITMENT #1

WHY IS THIS CRITICAL TO SUCCESS?

Why would making an organizational commitment to CI be critical to your organization's success?
**QUIZ: Does a Segmentation make sense now?**

<table>
<thead>
<tr>
<th>Statement</th>
<th>DISAGREE</th>
<th>UNSURE</th>
<th>AGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>We're facing serious business challenges that could be addressed through a better understanding of existing customers</td>
<td>0 points</td>
<td>1 point</td>
<td>2 points</td>
</tr>
<tr>
<td>We believe there are a significant number of potential customers to serve</td>
<td>0 points</td>
<td>1 point</td>
<td>2 points</td>
</tr>
<tr>
<td>Currently, we don’t have a strong understanding of our customers or their needs</td>
<td>0 points</td>
<td>1 point</td>
<td>2 points</td>
</tr>
<tr>
<td>Management fully supports a segmentation exercise</td>
<td>0 points</td>
<td>1 point</td>
<td>2 points</td>
</tr>
<tr>
<td>We’re willing to commit a certain amount of resources to complete a segmentation exercise well</td>
<td>0-4 points</td>
<td>5-8 points</td>
<td>9-12 points</td>
</tr>
<tr>
<td>We’re ready and capable of adapting product offerings and communications to different customer groups</td>
<td><strong>NOT REALLY.</strong> Wait and revisit these questions in 6-12 months.</td>
<td><strong>YES.</strong> Consider a more informal process. (see following page)</td>
<td><strong>DEFINITELY.</strong> Conduct a formal segmentation. (see following page)</td>
</tr>
</tbody>
</table>
Finding your Starting Point: Define your Objective

**STRATEGIC**
Decisions about Overall Business Direction

- What are your main business questions? Opportunities or challenges?
- Do they evolve around current or potential customers? Are there particular goals?
- What are underlying assumptions about your customers that might need testing?

**TACTICAL**
Specific decisions related to product/service/communication and operations

- Are you being challenged by new competition? Is usage or product uptake down?
- Do you plan to launch new products and services to expand into new markets?
- Do you need to adjust your offering and improve messaging?
- Do you aim to target specific customers that need adjustments to your offering?
### Start With: Business Challenges & Opportunities

<table>
<thead>
<tr>
<th></th>
<th>CHALLENGE</th>
<th>OPPORTUNITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ACQUISITION</strong></td>
<td>Increase customer awareness</td>
<td>Expand customer base</td>
</tr>
<tr>
<td><strong>USE</strong></td>
<td>Reduce dormancy</td>
<td>Increase uptake of products and services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve customer value proposition</td>
</tr>
<tr>
<td><strong>RETENTION</strong></td>
<td>Increase customer loyalty</td>
<td>Increase lifetime value of customers</td>
</tr>
<tr>
<td><strong>EXPANSION</strong></td>
<td>Save for stagnant growth</td>
<td>Enter a new market</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Launch a new product or service</td>
</tr>
</tbody>
</table>
TODAY’S AGENDA

1. CUSTOMER-CENTRICITY & SEGMENTATION

2. CUSTOMER SEGMENTATION: Design
   - Find your Starting Point
   - Plan & Take Action
   - Refine & Finalize

3. CUSTOMER SEGMENTATION: Delivery
   - Showcase your Results
   - Apply your Findings
   - Track & Measure over Time
Planning: Formal or Informal Segmentation?

Formal Segmentation compared with Informal Segmentation

**STEP 1**: Define Your Objective
**STEP 2**: Pick Your Population
**STEP 3**: Brainstorm
**STEP 4**: Conduct Informal Qualitative Research
**STEP 5**: Dig into Existing Data
**STEP 6**: Develop Hypothesis Segmentation
**STEP 7a**: Conduct Additional Research
**STEP 7b**: Engage a Market Research Firm (Optional)
**STEP 8**: Refine and Finalize Segmentation
**STEP 9**: Showcase Your Results
**STEP 10**: Apply Your Findings
**STEP 11**: Track and Measure

Ideally, segmentation is an ongoing process where insights feed back into evaluating business objectives.

Informal Segmentation

**STEP 1**: Define Your Objective
**STEP 2**: Pick Your Population
**STEP 3**: Brainstorm
**STEP 4**: Conduct Informal Qualitative Research
**STEP 5**: Dig into Existing Data
**STEP 6**: Develop Hypothesis Segmentation
**STEP 7**: Conduct Additional Research
**STEP 8**: Engage a Market Research Firm (Optional)
**STEP 9**: Refine and Finalize Segmentation
**STEP 10**: Showcase Your Results
**STEP 11**: Apply Your Findings

Track and Measure

Ideally, segmentation is an ongoing process where insights feed back into evaluating business objectives.
Pick Your Population

Start with a basic market definition:

- What is the total population that may need the product or service?
- Do you want to review all of them? Why exclude certain customers?
- Do you want to acquire new customers or retain existing ones?
How did Digicel Haiti define its target population?
CASE STUDY: Digicel Haiti

Digicel decided to focus on domestic P2P transfers and recharge.

**OBJECTIVE**
Expand customer base through awareness campaign, and sharpen value proposition of their transfer product.

All potential customers in Haiti

Current Digicel customers

Current money transfer customers

Non-users of P2P or transfer services

Users of P2P or transfer services
# Brainstorm: Identify Customer Characteristics

<table>
<thead>
<tr>
<th>DEMOGRAPHIC</th>
<th>LIFESTYLE</th>
<th>BEHAVIORAL</th>
<th>ATTITUDINAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENERAL</strong></td>
<td><strong>GENERAL</strong></td>
<td><strong>SPECIFIC TO YOUR OFFERING</strong></td>
<td><strong>RELEVANT ATTITUDES, BELIEFS, OR VALUES RELATED TO AN OFFERING</strong></td>
</tr>
<tr>
<td>Simple data points often readily available, such as gender, income, geography, etc.</td>
<td>General questions around interests, activities, values, beliefs</td>
<td>Behaviors or practices related to a specific offering</td>
<td>Relevant attitudes, beliefs, or values related to an offering</td>
</tr>
</tbody>
</table>

## Sample Segmentations
- Males living in rural areas
- Students with mobile devices
- Low-income adults
- Young go-getters
- Homemakers
- Community influencers
- High loan use, low savings
- Repatriation recipients
- Traditional savers
- Financial worrier
- Rationalist – emotionally removed from financial decision-making

## When to Use Each Type
- Best for simple targeting. Very helpful to combine with other variables.
- Use sparingly, ideally in complement with other variables.
- Use when trying to understand customer preferences. Best when combined with attitudinal variables.
- Use when trying to understand rationale for behaviors. Very powerful for communication. Best when combined with behavioral variables.
Conduct Informal Qualitative Research

Test your concepts with actual customers

4 ways to conduct quick and inexpensive qualitative research without heavy investment of formal primary research

**COFFEE WITH CUSTOMERS**

Start impromptu conversations with a group of customers while they visit your branch. This is a great way to learn about their experience without getting into the logistics of a formal focus group.

**CUSTOMER SKETCHES**

A customer sketch is a simple exercise to start characterizing your customer and learn where you may lack information.

**FOLLOW FRONT-LINE STAFF**

“Shadowing” is a basic observation technique that allows you to unobtrusively learn about an experience from the perspective of a single customer. Following a front-line staff member will help you uncover patterns and insights about the interface between staff and customers.

**MYSTERY SHOPPING**

Mystery shopping is a quick and easy way to get an impartial view of the customer experience at your organization – or a competitor’s. It often provides a better understanding of the pain points you’ve heard about but didn’t truly comprehend. Check out the CGAP article on mystery shopping in Mexico, found at: [http://www.cgap.org/data/infographic-mystery-shopping-mexico](http://www.cgap.org/data/infographic-mystery-shopping-mexico).
Use What you have: Dig into Your Data

**EXAMPLES: TRANSACTION DATA ANALYSIS**

<table>
<thead>
<tr>
<th>AMOUNT + NUMBER OF TRANSACTIONS BY TYPE FOR ACCOUNT QUINTILES</th>
<th>Account quintiles by total in-going / outgoing money in account over past 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount</strong></td>
<td><strong>Number of Transactions</strong></td>
</tr>
<tr>
<td>Outflows</td>
<td>Outflows</td>
</tr>
<tr>
<td>Other</td>
<td>Other</td>
</tr>
<tr>
<td>Buy</td>
<td>Buy</td>
</tr>
<tr>
<td>Billpay</td>
<td>Billpay</td>
</tr>
<tr>
<td>Send $</td>
<td>Send $</td>
</tr>
<tr>
<td>Withdrawal</td>
<td>Withdrawal</td>
</tr>
<tr>
<td>Inflows</td>
<td>Inflows</td>
</tr>
<tr>
<td>Other</td>
<td>Other</td>
</tr>
<tr>
<td>Receive $</td>
<td>Receive $</td>
</tr>
<tr>
<td>Deposit</td>
<td>Deposit</td>
</tr>
<tr>
<td>Q1</td>
<td>Q1</td>
</tr>
<tr>
<td>14%</td>
<td>45%</td>
</tr>
<tr>
<td>26%</td>
<td>41%</td>
</tr>
<tr>
<td>35%</td>
<td>29%</td>
</tr>
<tr>
<td>40%</td>
<td>28%</td>
</tr>
<tr>
<td>40%</td>
<td>28%</td>
</tr>
<tr>
<td>40%</td>
<td>28%</td>
</tr>
<tr>
<td>39%</td>
<td>33%</td>
</tr>
<tr>
<td>Q2</td>
<td>Q2</td>
</tr>
<tr>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Q3</td>
<td>Q3</td>
</tr>
<tr>
<td>44%</td>
<td>20%</td>
</tr>
<tr>
<td>45%</td>
<td>28%</td>
</tr>
<tr>
<td>40%</td>
<td>33%</td>
</tr>
<tr>
<td>44%</td>
<td>33%</td>
</tr>
<tr>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>Q4</td>
<td>Q4</td>
</tr>
<tr>
<td>5%</td>
<td>12%</td>
</tr>
<tr>
<td>7%</td>
<td>12%</td>
</tr>
<tr>
<td>4%</td>
<td>20%</td>
</tr>
<tr>
<td>4%</td>
<td>28%</td>
</tr>
<tr>
<td>4%</td>
<td>33%</td>
</tr>
<tr>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Q5</td>
<td>Q5</td>
</tr>
<tr>
<td>44%</td>
<td>20%</td>
</tr>
<tr>
<td>45%</td>
<td>28%</td>
</tr>
<tr>
<td>40%</td>
<td>33%</td>
</tr>
<tr>
<td>44%</td>
<td>33%</td>
</tr>
<tr>
<td>32%</td>
<td>30%</td>
</tr>
<tr>
<td>38%</td>
<td>30%</td>
</tr>
<tr>
<td>Avg</td>
<td>Avg</td>
</tr>
<tr>
<td>14%</td>
<td>26%</td>
</tr>
<tr>
<td>35%</td>
<td>29%</td>
</tr>
<tr>
<td>40%</td>
<td>28%</td>
</tr>
<tr>
<td>40%</td>
<td>28%</td>
</tr>
<tr>
<td>39%</td>
<td>33%</td>
</tr>
<tr>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>5M</td>
<td>12M</td>
</tr>
<tr>
<td>16M</td>
<td>40M</td>
</tr>
<tr>
<td>40M</td>
<td>150M</td>
</tr>
<tr>
<td>231M</td>
<td>231M</td>
</tr>
<tr>
<td>Per Account</td>
<td>Per Account</td>
</tr>
<tr>
<td>40</td>
<td>128</td>
</tr>
<tr>
<td>128</td>
<td>220</td>
</tr>
<tr>
<td>220</td>
<td>420</td>
</tr>
<tr>
<td>420</td>
<td>978</td>
</tr>
<tr>
<td>978</td>
<td>365</td>
</tr>
<tr>
<td>365</td>
<td>121</td>
</tr>
<tr>
<td>121</td>
<td>115k</td>
</tr>
<tr>
<td>115k</td>
<td>132k</td>
</tr>
<tr>
<td>132k</td>
<td>157M</td>
</tr>
<tr>
<td>157M</td>
<td>225k</td>
</tr>
<tr>
<td>225k</td>
<td>150k</td>
</tr>
<tr>
<td>150k</td>
<td>22.3</td>
</tr>
<tr>
<td>22.3</td>
<td>24.3</td>
</tr>
<tr>
<td>24.3</td>
<td>25.0</td>
</tr>
<tr>
<td>25.0</td>
<td>29.1</td>
</tr>
<tr>
<td>29.1</td>
<td>42.0</td>
</tr>
<tr>
<td>42.0</td>
<td>27.3</td>
</tr>
<tr>
<td>27.3</td>
<td>121</td>
</tr>
<tr>
<td>121</td>
<td>115k</td>
</tr>
<tr>
<td>115k</td>
<td>132k</td>
</tr>
<tr>
<td>132k</td>
<td>157M</td>
</tr>
<tr>
<td>157M</td>
<td>225k</td>
</tr>
<tr>
<td>225k</td>
<td>150k</td>
</tr>
</tbody>
</table>

Pull out specific examples to generate hypotheses and build a fuller picture away from the “average”

**REVIEW OF SPECIFIC ACCOUNT TRANSACTIONS**

Account with majority of transactions as “sending money”

Customer “saved” up a significant amount before a large transfer of money, potentially for taxes due to timing of transfer

Frequent pattern of deposit send. Potentially for business purposes due to frequency

Data visualizations showing transactions over time.
**Bringing things together: Hypothesis Segmentation**

<table>
<thead>
<tr>
<th>Option 1</th>
<th>Option 2</th>
<th>Option 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRIORITY LEVEL</strong></td>
<td><strong>USE CASE</strong></td>
<td><strong>DRIVER BASED</strong></td>
</tr>
<tr>
<td><strong>Examples</strong></td>
<td><strong>Examples</strong></td>
<td><strong>Examples</strong></td>
</tr>
<tr>
<td>![Medals] Bronze: Low transactions</td>
<td>![Graduation Cap] Students receiving funds</td>
<td>![Money and Suit] Prestige seekers</td>
</tr>
</tbody>
</table>

### Behavioral Segmentation
Based on priority level of customers determined by transaction data. Customers are assigned to a gold, bronze, or silver group depending on their value to the organization.

### Demographic + Behavioral Segmentation
Based on the circumstances in which customers would use a money transfer service. Loosely based on occupation and sender/receiver distinction.

### Attitudinal Segmentation
Based on customers’ most valued drivers, which influence their choice of money transfer services.
Why Conduct Additional Research? (optional)

- Consider the cost of making a decision based on inaccurate information.
- How far off could your hypothesis be? How much do you trust the internal and external data you collected?
- Share your hypothesis segmentation with your agents or tellers. Do they recognize the customer groups you came up with?

AT THIS POINT: you will likely need to use a mix of **qualitative and quantitative** research techniques.

- Tap into your organization’s existing knowledge to develop your research plan.
- Dig into the knowledge gaps
At this point, the foundation for finalizing your segmentation should be largely set.

(i) Refine your segmentation by **reviewing** the quantitative and qualitative information gathered.

(ii) **Compare** findings to your segmentation hypotheses and objectives. Then confirm or adjust your original hypothesis segmentation.

(iii) **Check your Intuition.** Segmentation is a mix of art and science.

(iv) Identify and clearly set the limits for **further research** (if needed).
Share-out:
Briefly share your experience with segmentation. How did you showcased your results within your institution?
TODAY’S AGENDA

1. CUSTOMER-CENTRICITY & SEGMENTATION

2. CUSTOMER SEGMENTATION: Design
   - Find your Starting Point
   - Plan & Take Action
   - Refine & Finalize

3. CUSTOMER SEGMENTATION: Delivery
   - Showcase your Results
   - Apply your Findings
   - Track & Measure over Time
CASE STUDY: Showcase your Results

BTPN Indonesia

SIMPLE DATA COMPARISON FOR “ON THE VERGE”

**ENABLERS**
- Facile with technology
- Energy and possibility of youth
- Flexibility in location and occupation

**BLOCKERS**
- Small income
- No access to capital
- Away from the emotional support of family

**NEEDS**
- Mentoring to make dreams a reality
- Protection from untrustworthy money schemes and people who’d take advantage of his youth
- Financial literacy

**ENTREPRENEURIAL ROLE MODELS**
- One in the present

**STRENGTH OF COMMUNITY**
- Part of the community fabric

**FINANCIAL LITERACY**
- Awareness of good/bad, but not how much

**TECHNOLOGICAL LITERACY**
- Facile with smartphones, apps, and more

**MOTIVATION AND DRIVE**
- I believe in the possibilities in my future

**AVAILABILITY OF RESERVES**
- No reserves

**MIX OF FINANCIAL TOOLS**
- Uses informal tools only
CASE STUDY: Apply your Findings

Centenary Bank Uganda

“Access Your Salary”
Salaried workers wanted to withdraw money in smaller amounts more regularly, not just all at once.

“Make Payments Directly from Your Account”
The youth market wanted to spend less time in long bank queues and receive funds from relatives more easily.

“Save Time and Transportation Costs”
The business community wanted to save time by not having to travel to a bank to handle daily transactions.
Track & Measure Over Time

**Revisit Data Collection Processes**

What data points you wish you had had when you conducted your segmentation? What are some ways to collect that data going forward?

Ex.: Adding a few questions to your registration process or data capture fields at the point of transaction.

**Track Segments Over Time**

To track segments over time, first profile them in your database. Ask agents to profile a subset of customers using surveys. Then use the results to match their data patterns to the rest of your customers. Incorporate segment size and key usage behaviors into your basic reporting. Set up periodic surveys to check segment size evolution and measure changes.

**Embed Segmentation in Your Organization**

Build segmentation into the daily language of your organization. Ensure that everyone – from sales to finance – understands your segments and is up to date on how your organization is performing in each customer group.
“Segmentations are viewed by too many of their sponsors as one-time, go-for-broke efforts to provide a comprehensive portrait of customers that can inform all subsequent marketing decisions. In our view, segmentations should be part of an ongoing search for answers to important business questions as they arise.”

– David Meer, Principle PwC
Putting customers first means better business
THANK YOU!

E-mail us:
Lisa | lstahl@worldbank.org
Yanina | yseltzer@worldbank.org