1

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

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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.
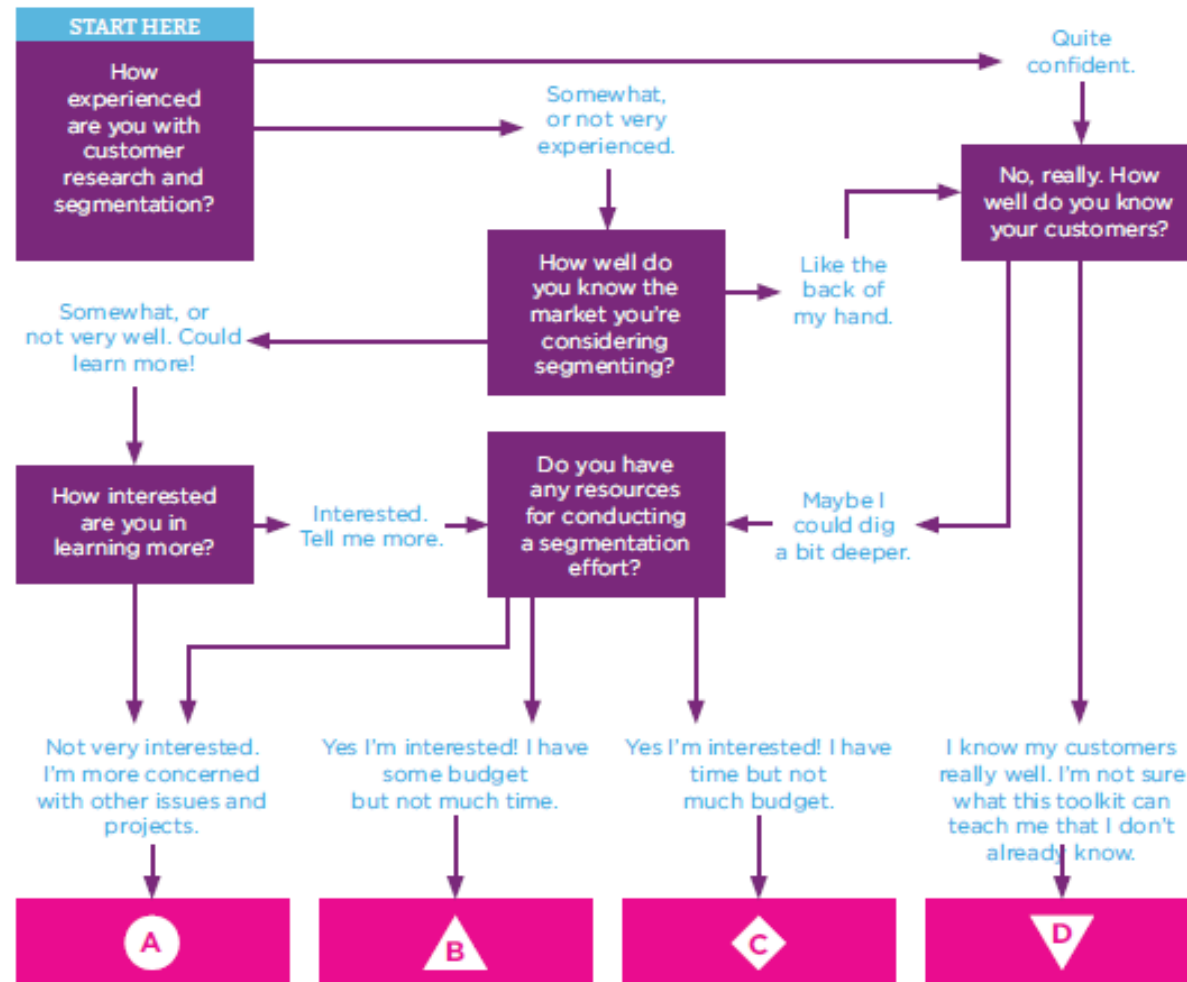
"Customer centricity is defined as the ecosystem and operating model that enables an organization to design a unique and distinctive customer experience. This architecture enables the business to acquire, retain and develop targeted customers efficiently for the benefit of customers, employees and stakeholders."

Doug Leather, The Customer-Centric Blueprint

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 difference 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?

Average Opportunity / **Number of People**

VOLUME = TOTAL MARKET OPPORTUNITY
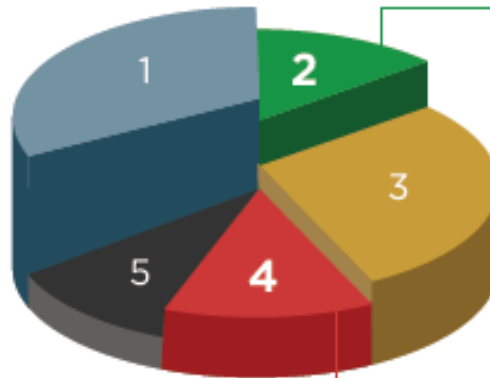
TOTAL MARKET OPPORTUNITY = ~$100M

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.

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

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

Average Opportunity / **Number of People**

VOLUME = TOTAL MARKET OPPORTUNITY

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

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)

SAVE TIME AND TRANSPORT COSTS

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

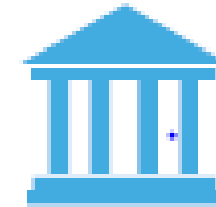Not a target due to segment size and low average opportunity per customer

Debunking the Segmentation Myths

IT'S TOO COSTLY

IT'S TOO COMPLICATED

IT'S TOO ACADEMIC

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ACTIVITY #1

	DISAGREE	UNSURE	AGREE
We're facing serious business challenges that could be addressed through a better understanding of existing customers	0 points	1 point	2 points
We believe there are a significant number of potential customers to serve	0 points	1 point	2 points
Currently, we don't have a strong understanding of our customers or their needs	0 points	1 point	2 points
Management fully supports a segmentation exercise	0 points	1 point	2 points
We're willing to commit a certain amount of resources to complete a segmentation exercise well			
We're ready and capable of adapting product offerings and communications to different customer groups			

0-4 points	5-8 points	9-12 points
NOT REALLY. Wait and revisit these questions in 6-12 months.	**YES.** Consider a more informal process. (see following page)	**DEFINITELY.** Conduct a formal segmentation. (see following page)

Finding your Starting Point: Define your Objective

STRATEGIC
Decisions about Overall Business Direction

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

What are your main business questions? Opportunities or challenges?

What are underlying assumptions about your customers that might need testing?

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 they evolve around current or potential customers? Are there particular goals?

Are you being challenged by new competition? Is usage or product uptake down?

Do you aim to target specific customers that need adjustments to your offering?

Start With: Business Challenges & Opportunities

	CHALLENGE	OPPORTUNITY
ACQUISITION	Increase customer awareness	Expand customer base
USE	Reduce dormancy	Increase uptake of products and services Improve customer value proposition
RETENTION	Increase customer loyalty	Increase lifetime value of customers
EXPANSION	Save for stagnant growth	Enter a new market Launch a new product or service

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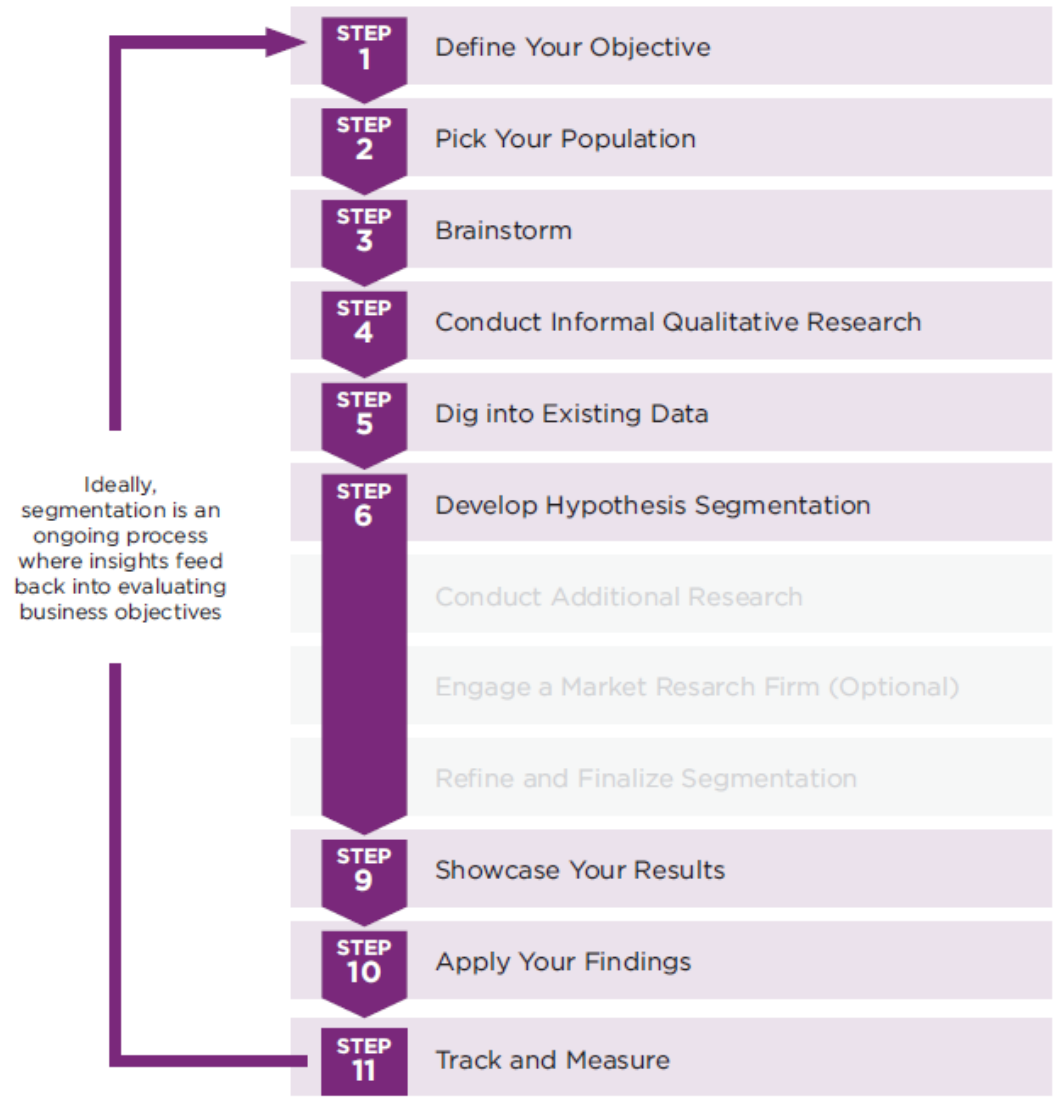Apply your Findings

Track & Measure over Time

Planning: Formal or Informal Segmentation?

Formal Segmentation compared with **Informal Segmentation**

	Formal 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 Resarch 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

Formal Segmentation compared with **Informal Segmentation**

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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?
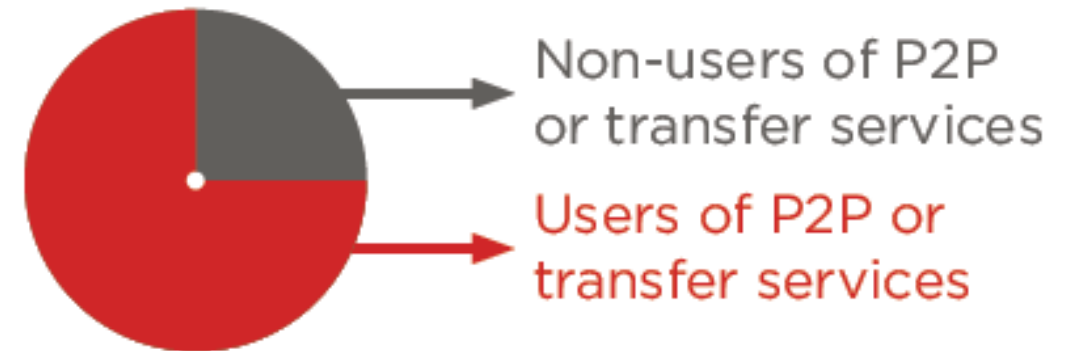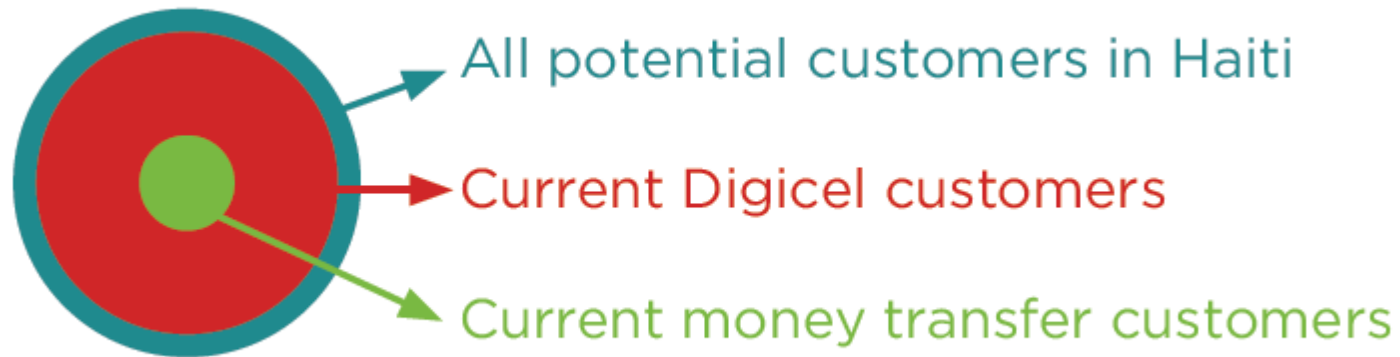
How did Digicel Haiti define its target population?

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.

Brainstorm: Identify Customer Characteristics

DEMOGRAPHIC	LIFESTYLE	BEHAVIORAL	ATTITUDINAL
GENERAL		**SPECIFIC TO YOUR OFFERING**	
Simple data points often readily available, such as gender, income, geography, etc.	General questions around interests, activities, values, beliefs	Behaviors or practices related to a specific offering	Relevant attitudes, beliefs, or values related to an offering
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.
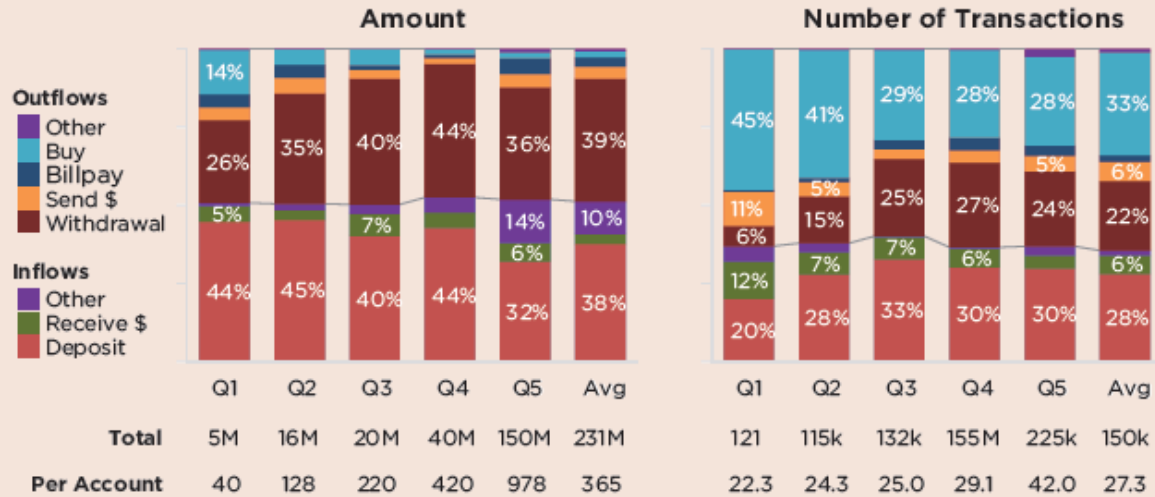
Use What you have: Dig into Your Data

EXAMPLES: TRANSACTION DATA ANALYSIS

Start with an aggregate view to get an understanding of both the data and the accounts within

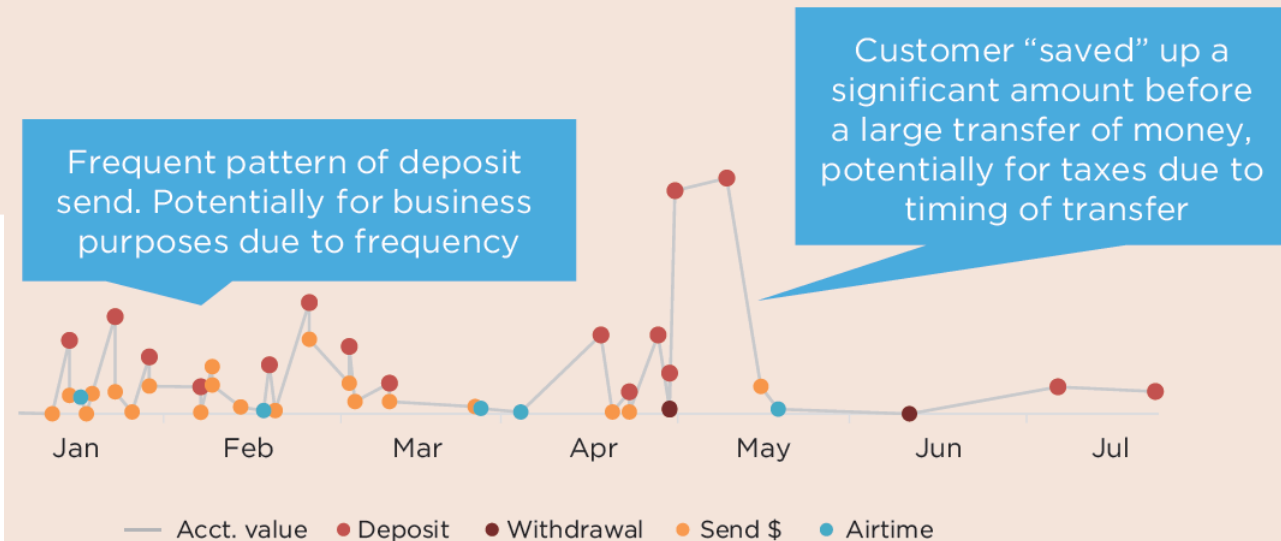AMOUNT + NUMBER OF TRANSACTIONS BY TYPE FOR ACCOUNT QUINTILES
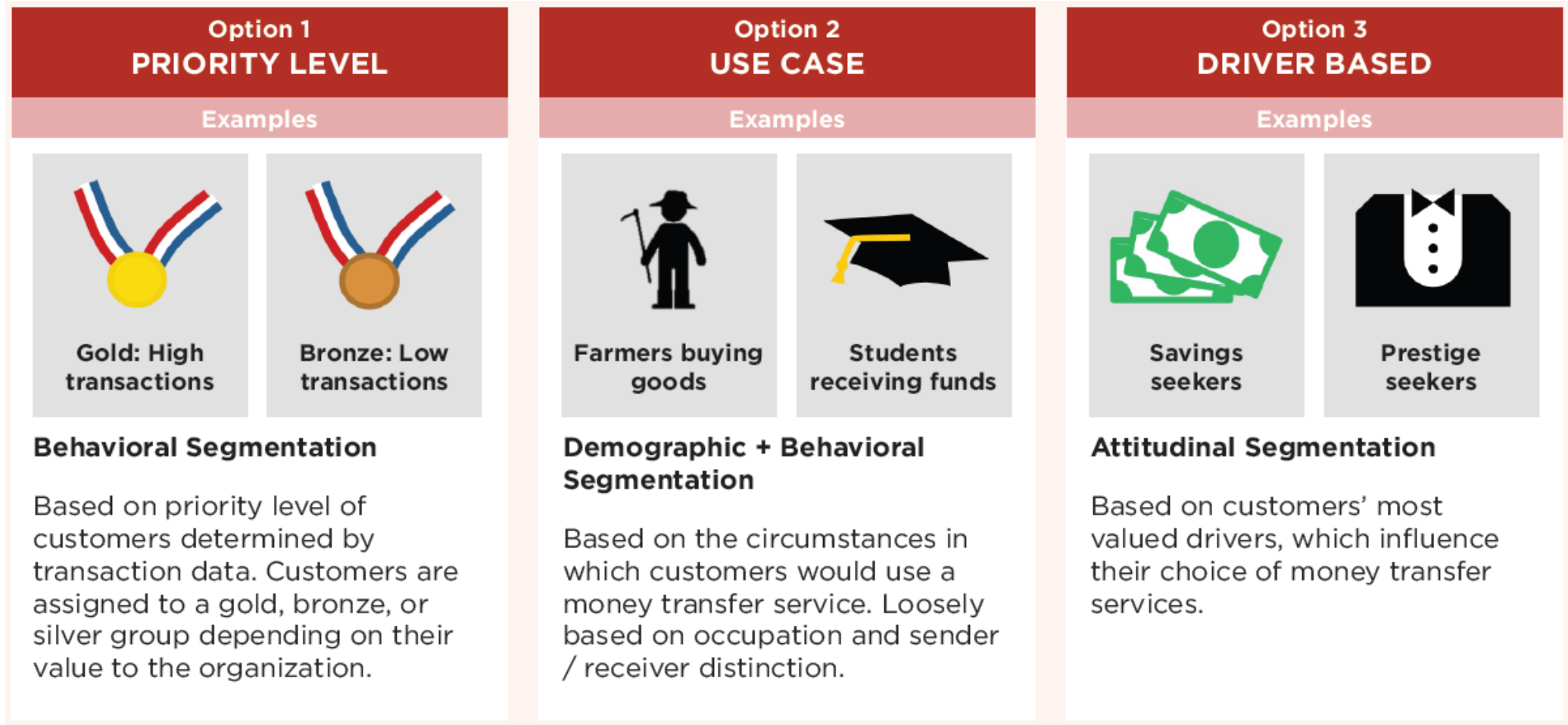*Account quintiles by total in-going / outgoing money in account over past 12 months*

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"

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

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

Bringing things together: Hypothesis Segmentation

Option 1	Option 2	Option 3
PRIORITY LEVEL	**USE CASE**	**DRIVER BASED**
Examples	Examples	Examples

| Gold: High transactions | Bronze: Low transactions | Farmers buying goods | Students receiving funds | Savings seekers | Prestige seekers |

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.

- 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 you 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 <u>and</u> quantitative** research techniques.
- Tap into your organization's existing knowledge to develop your research plan.
- Dig into the knowledge gaps

1 = yellow
2 = green
3 = red
4 = dark red

| PURELY QUALITATIVE RESEARCH | BLENDED / SEQUENTIAL RESEARCH | PURELY QUANTITATIVE RESEARCH |
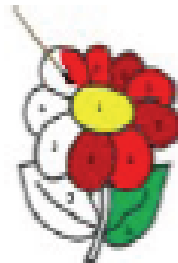
At this point, the foundation for finalizing your segmentation should be largely set.

(i) Refine you segmentation by **reviewing** the quantitative <u>and</u> qualitative information gathered.

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

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

(iv) Identify and clearly set the limits for **further research** (if needed).

ACTIVITY #2

Share-out:

Briefly share your experience with segmentation.
How did you showcased your results within your institution?

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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

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

THANK YOU!

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