



CUSTOMER SEGMENTATION TOOLKIT

OCGAP

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. That path will then guide you through the toolkit elements that can benefit your organization the most.

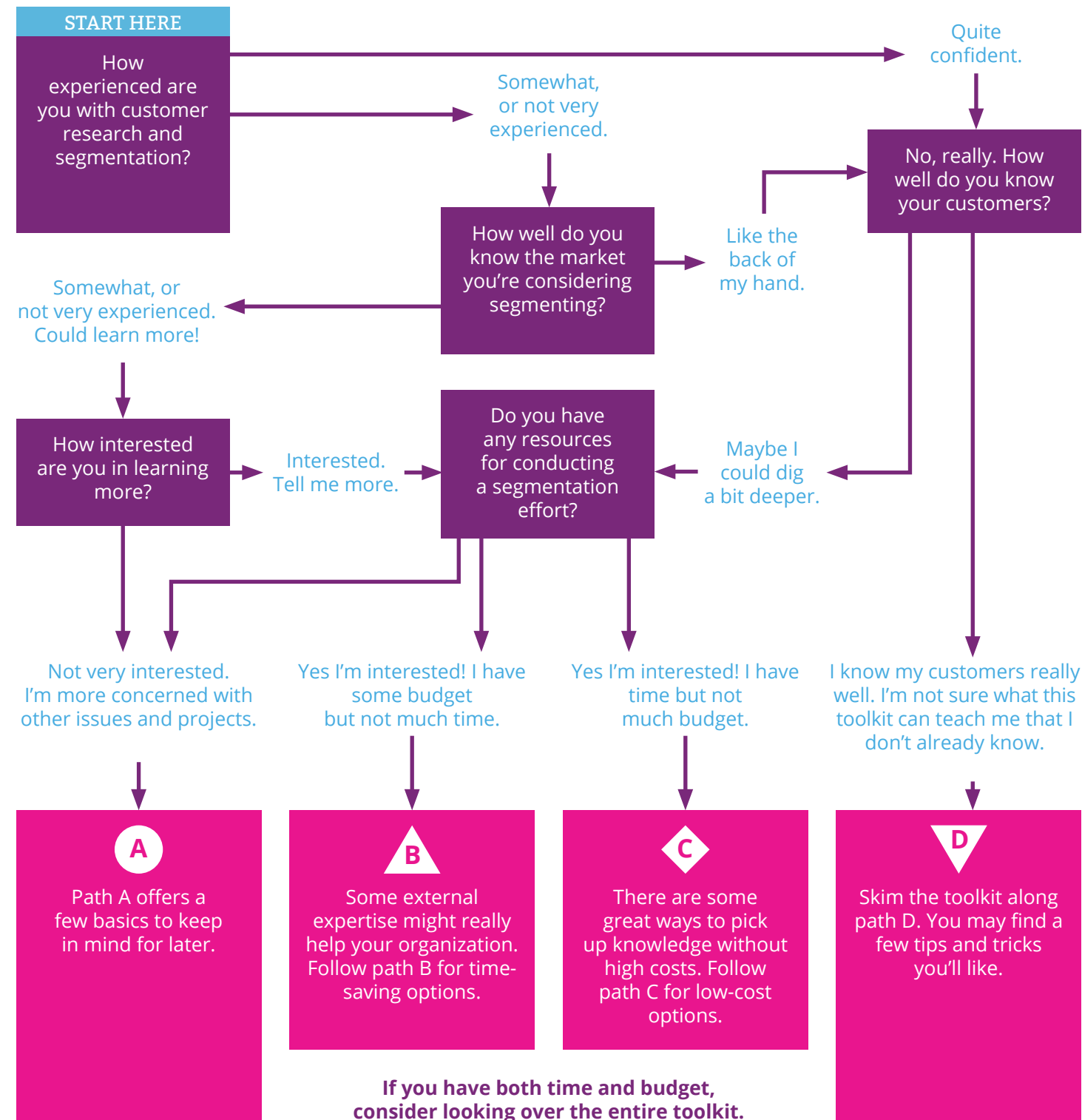


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Resources

Look for these icons throughout the toolkit. Each indicates more in-depth information on a subject or helpful resources.



Case Studies

Learn from Other Organizations

Evidence of the value of customer segmentation from financial service providers who've invested in this approach and methods.



Experiments

Put Customer Segmentation into Action

Practical exercises that help you get closer to your customers and add segmentation as a core competency. Many of these experiments can be done in as little as an hour or two.



References

Build Your Customer Segmentation Knowledge Base

Curated research and reference materials that build your internal knowledge base and increase the impact of customer segmentation within your organization.



Tools

Plan and Execute Customer Segmentation Activities

Robust tools that help you integrate and manage customer segmentation initiatives within your organization – including project planning tools, key frameworks, and design methods.

Introduction

Traditionally, financial service providers have considered low-income consumers as a single segment. Microfinance institutions were formed specifically to target this segment – historically with a monoproduct offering. But some financial service providers have begun to see more potential in the segment while others still wonder what steps to take toward understanding it.

Customer research such as the Financial Diaries and other demand studies show that the low-income or mass market is not one single segment; people's worries, wants, needs, and behaviors are nuanced.

Customer segmentation allows organizations to divide a market into subsets of customers that have, or are perceived to have, common needs, interests, and priorities – then design and implement strategies targeted toward them. An essential tool, segmentation helps organizations serve low-income markets by understanding important common characteristics of their customer base, which can make the difference between an underutilized service and one that resonates with customers.

Segmentation also allows financial service providers who've previously only focused on high-value customers to focus their energy on other value segments. The growth in the number of organizations that offer services to the poor shows that this opportunity is real.

This Customer Segmentation Toolkit provides practical guidance on how to use segmentation to better serve the needs of your customers and improve customer experience overall. Despite increases in access, there are still poor households that don't have access to a full range of financial services. Segmentation unlocks opportunities for innovation that can offer value to both customers and providers.

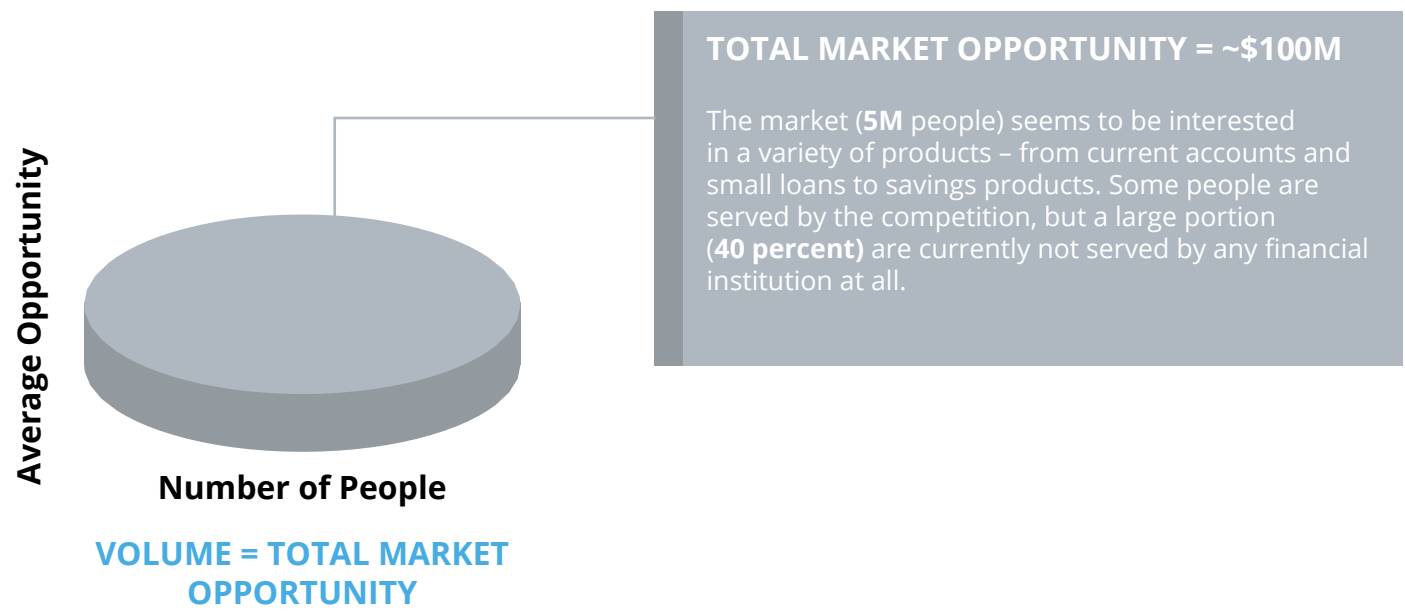
THIS CUSTOMER SEGMENTATION TOOLKIT IS DESIGNED FOR:

- Organizations with a strong interest in or a mandate to serve low-income and mass market customers.
- Financial service providers with business challenges that may be addressed by a more nuanced understanding of their customers.
- A wide range of senior leadership, mid-level managers, researchers, and analysts interested in customer segmentation. It provides summaries, tools, links, and other details.



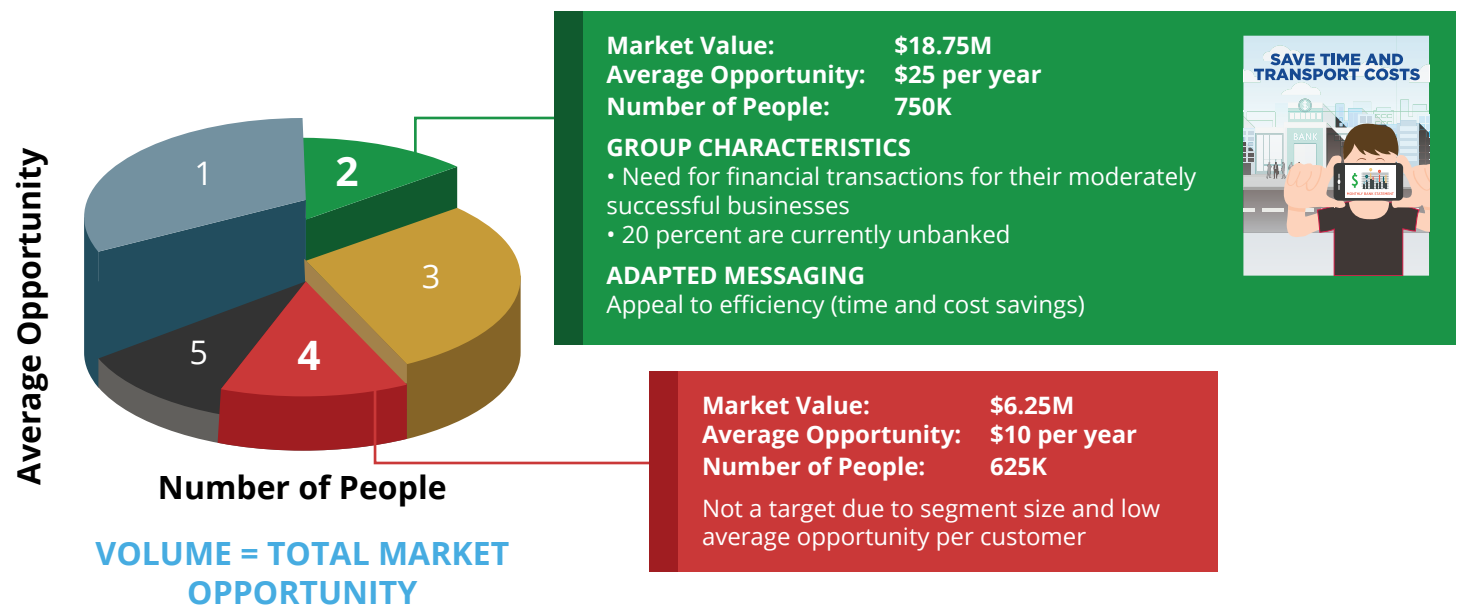
A bird's-eye view of the market may tell you there's an overall opportunity but provides no insight into various customer needs or who to focus on.

This example looks at the market for financial services in a large unbanked population:



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.

When you begin to divide a market by key customer characteristics, big differences in customer value reveal themselves. The pie chart below illustrates a segmentation exercise applied to transportation demographics. Each “pie slice” represents an opportunity area. Slices 2 and 4 elaborate specific details uncovered in the segmentation.





1

MAKING THE CASE

Why Conduct a Segmentation?

Customer segmentation can help you divide a diverse market into a number of smaller, more homogeneous markets based on one or more meaningful characteristics. Segmentation helps you better understand your customers and their various needs and wants.

This chapter elaborates on how segmentation can help:

- A. Improve your understanding of current and potential customers
- B. Address business challenges and opportunities
- C. Identify and estimate market opportunities
- D. Tailor products, services, and customer experiences
- E. Shape communications

The scope of your segmentation strategy depends on the maturity of your organization, the diversity of your market, your timeline, and budget.



CGAP Photo Contest. Photo by Wirawan. 2015

A. Improve Your Understanding of Current and Potential Customers

“When you engage with your customers and are open with them, you earn their trust, they give you feedback, and you can establish an iterative process for co-innovation.”

– Director of Consumer Insights, Unilever

You may be surprised to hear the variety of opinions your customers have about your organization and your offerings. In essence, this is the goal of consumer insights – to understand the “voice of the customer.”

Transaction and sales data may be interesting for trend analysis, but it won’t tell you why your customers behave certain ways or what they may do in the future.

Above all, customer segmentation and research allows your organization to improve the value proposition and experiences you offer customers through a better understanding of their actual needs and desires.



Case Study: Bank BTPN, Indonesia

IMPROVING CUSTOMER UNDERSTANDING THROUGH RESEARCH

In 2012, Bank BTPN launched BTPN WOW!, a mobile savings wallet designed for basic cell phones and geared toward low-income Indonesians. Although already focused on and serving 1.4M mass market customers, BTPN wanted to tailor the offering through deeper customer knowledge. With the help of CGAP, frog design, and Dalberg Development Advisors, they launched a research project.

The team interviewed 70+ customers, agents, and experts in the first round of research. Synthesized learnings resulted in the development of five relevant *personas* – representations of individuals based on attitudes, interactions, psychological profiles, aspirations, behaviors, and standard demographics.

BTPN leadership remarked that this was the first time they’d seen their customer base represented in such a human way. Targeting the new product to the right kind of customers influenced the way it was rolled out.



B. Address Business Challenges and Opportunities

You probably agree that increased customer knowledge is of value to your organization. A better understanding of the needs and wants of current and potential customers may be the key to addressing current challenges and unlocking new market opportunities.

Segmentation can help address the following challenges and 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 customer lifetime value |
| EXPANSION | Save for stagnant growth | Enter a new market Launch a new product or service |

For more details on choosing a business objective for your segmentation, see pages 21 and 22.



A bus driver counts his money, Indonesia. Photo by frog design. 2013

C. Identify and Estimate Market Opportunities

Two billion people around the world – more than half the adult population – are currently unbanked.¹ Reaching even a small portion of this market offers significant potential.

Segmentation helps identify potential customers with the greatest unmet needs and the most willingness to adopt your products and services. Once you identify specific segments you can estimate the size of the market opportunity to be gained by better serving them and prioritize resources accordingly.

Consider the case study below about UBL Bank in Pakistan. Segmentation allowed the bank to estimate the size of various customer segments and the opportunity to serve diverse needs.



Case Study: UBL Bank, Pakistan

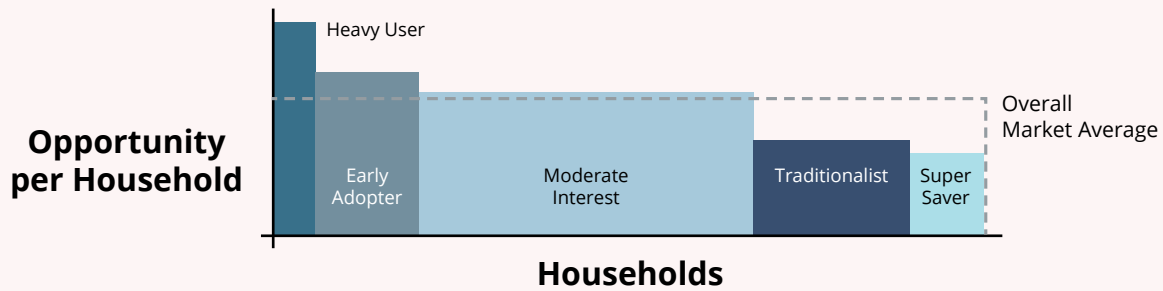
LOOKING AT THE UN(DER)BANKED MARKET

UBL Bank carried out customer segmentation based on:

- Customer knowledge and use of financial services
- Customer trust in formal financial institutions
- Degree to which customers save

In the table below, the Heavy User and Early Adopter segments represent the highest per household market opportunity and demonstrate the greatest willingness to use UBL's products and services.

This segmentation allowed the bank to identify the largest market opportunities and tailor value propositions to best meet customer needs.



Experiments

WHAT'S THE POTENTIAL OF THE UNBANKED CUSTOMERS IN YOUR MARKET?

Download the Excel workbook (link below), and adjust the sample inputs to see the potential size of your market. You may be surprised at how significant it is!

DATA INPUTS

Select country

Indonesia

Gender

- Male
- Female

Age Group

- 15-25
- 26-35
- 36-45
- 46-60
- 60+

Education

- Primary or less
- Secondary
- University or greater

Do not have an account because...

- | Y | N | ANY | |
|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | ...too far away |
| <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | ...too expensive |
| <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | ...lack documentation |
| <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | ...lack trust |
| <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | ...lack money |
| <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | ...religious reasons |
| <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | ...family member already has one |

ASSUMPTIONS

% of relevant unbanked market attained

20%

Revenue earned per person, per year

\$20.00

OUTPUTS

| | |
|------------------------------|--------------------|
| Total unbanked population | 141,551,765 |
| Relevant unbanked population | 24,214,300 |
| Attained unbanked population | 1,210,715 |

Potential Revenue \$24,214,300

To complete this experiment for your country or to customize inputs, download the full Excel workbook.

D. Tailor Products, Services, and Experiences

“Any customer can have a car painted any color that he wants, so long as it is black.”

– Henry Ford, 1908

Henry Ford’s bold statement was accurate; his product was so revolutionary that customer segmentation was not initially important. But as the market matured, it was time to identify market segments and start adjusting product to the needs of various users.

Cars with extra space and greater durability were built for farmworkers. More luxurious models were designed for those seeking prestige. Fast forward to today and consider the many models now available to meet the market’s diverse needs and preferences.

A key aspect of any product or service is the customer experience attached to it. In interviews with customers about the process they went through to transfer money, people described their experience and defined “good” customer service in a variety of ways.

Traders, for example, were very impressed with the PIN security function and confirmation of SMS transactions. On the other hand, businesspeople were more interested in the prestige of the service and amenities like a comfortable waiting area, potentially with wifi.



Case Study: Oversea-Chinese Banking Corporation, China

TARGETING THE YOUTH MARKET

Oversea-Chinese Banking Corporation (OCBC) identified Generation Y as a segment they wanted to target. What was next? The bank dove wholeheartedly into in-depth customer research to identify new ways to shape their offerings. As David McQuillen, OCBC Head of Group Customer Experience, put it, “We hung out with them at malls, ate dinner with them, went shopping and clubbing with them, and spent a lot of time looking in their wallets and talking about money.”

Some changes OCBC made for the youth market:

- Removed fees for customers under 26
- Offered savings “jars” with customizable names so customers could save specifically for their “new iPad” or a “trip to Bali”
- Offered 100+ card designs so customers could personalize their experience
- Changed the in-person experience so special bank branches looked more like a retail environment (i.e., an Apple store) than a standard bank
- Simplified the website to streamline online interactions

Three years in, increased sign-ups and evidence that the product is being used in many places makes this case a positive example of how to market to youth.



E. Shape Communications

In the same way that products, services, and experiences can be designed to fit target segments, messaging may be adjusted as well. From mass campaigns to text messages to the language that tellers use at the point of transaction, communications can be tailored to particular customer groups.

Centenary Bank in Uganda was excited to launch a new mobile bank offering, but their generic campaign had achieved mediocre success.

Upon completion of a segmentation exercise, the campaign message, “Take your bank everywhere,” was replaced with advertisements specifically tailored to each segment identified.

Centenary Bank used the ads to clearly communicate the value of the product to target customers and distinguish itself from the competition. The bank’s combined go-to-market efforts saw 38,000 users make 130,000 transactions within the first four months of launch.



Case Study: Centenary Bank, Uganda

GO-TO-MARKET MESSAGING LESSONS

Without segmentation, Centenary Bank’s “Take your bank everywhere” messaging was generic and did not resonate strongly with customers:



But once the bank used segmentation to understand their target customers, they were able to tailor messaging to address some of the pain points uncovered by customer research:



“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.

A Final Note: Debunking Segmentation Myths

By now you're probably convinced of the value of segmentation – but you may still have a few reservations. Let's dispel some common myths:



SEGMENTATION COSTS TOO MUCH.

Segmentation doesn't have to cost a lot. There are several ways your organization can produce great results with few resources, including focusing on information that's already gathered and readily available. If you decide to make a large investment in segmentation, return can be quite high. But even a small upfront budget can help ensure the success of a new product launch and improve customer retention in the long run.



SEGMENTATION IS TOO COMPLICATED. WE DON'T NEED IT.

The segmentation process may appear to be complex and it may seem easier just to replicate solutions that worked in other markets. But, for example, the experience of mobile network operators trying to apply the M-pesa money transfer model to other countries provides more than half a dozen reasons why the copy-cat approach may not work well.

This toolkit lays out and describes the steps to segmentation in a practical way, including tools and templates that simplify the process.



SEGMENTATION IS AN ACADEMIC EXERCISE AND DOESN'T WORK IN PRACTICE.

Although there are cases where organizations produce segmentations that are too complex for their needs, poor execution of a good tool is not a reason to shy away from it. Segmentation can be a great success if you:

1. Keep business objectives clear and focused. Don't overreach.
2. Don't completely outsource to a market research firm. Use your expertise to guide the segmentation.
3. Ensure buy-in by keeping key stakeholders involved in the process.



2

FINDING THE STARTING POINT

Where Should You Start?

This chapter helps you navigate some important issues and identify a starting point in the segmentation process.

- 1 **Does it make sense to do a segmentation now?**
- 2 **Based on your current situation, do you need a formal or informal segmentation?**
- 3 **Who should be involved in the segmentation process?**



CGAP Photo Contest. Photo by Relativo. 2015

1 Does It Make Sense to Do a Segmentation Exercise Now?

Take the following quiz. Circle your responses, then add up your points to see where you fall on the scale at the bottom of the page.

| | 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 | 0 points | 1 point | 2 points |
| We're ready and capable of adapting product offerings and communications to different customer groups | 0 points | 1 point | 2 points |

Should we take on a customer segmentation now?

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

2

Formal vs. Informal Segmentation

Formal Segmentation compared with **Informal Segmentation**



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

Formal Segmentation compared with **Informal Segmentation**



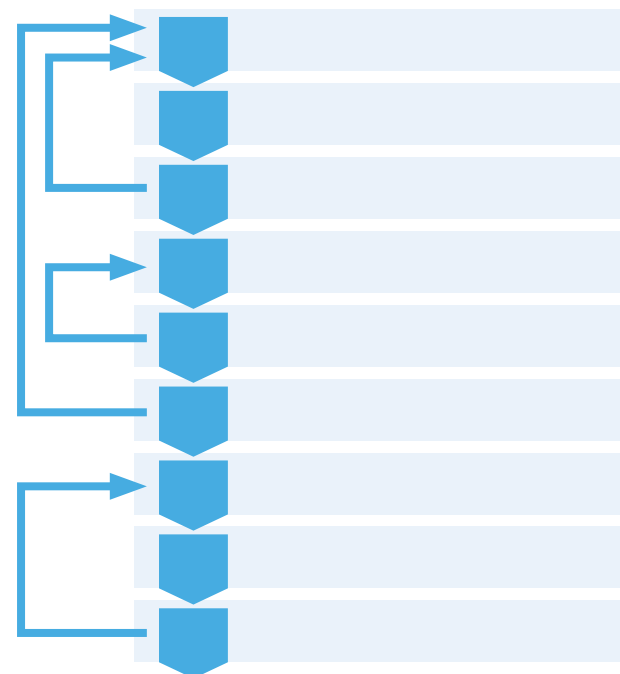
Ideally, segmentation is an ongoing process where insights feed back into evaluating business objectives

Viewing segmentation as a clean, linear process can be misleading. Very few (if any) segmentation projects that CGAP has taken part in have progressed through the steps in perfect order.

It's wise to revisit your assumptions and decisions frequently. Are you sure your business objective makes sense? Is it too aggressive – or not aggressive enough? Maybe your initial hypothesis needs to be revisited after you've completed some research.

Take your time. Remember that revisiting decisions is not a negative, it's a step toward making the end result more useful. Often, you'll decide to further divide segments into subsegments.

It's easy to lose focus. Always revisit your initial assumptions and objectives.



Interviewee prioritizes consumption choices, Kenya. Photo by Continuum. 2013

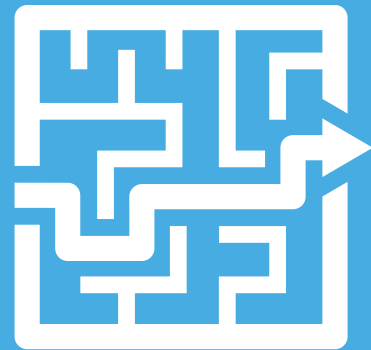
3 Who Should Be Involved in the Segmentation Process?

At this point, identify the people who are crucial to your segmentation outcome and bring them in. The table below lists functional groups and their potential segmentation roles. Consider the functions of your own team and decide whether they should be a part of the exercise. If your organization is small and doesn't include all these functions, think about which team members may take on the general roles a segmentation requires.

AT A MINIMUM


You'll need a project lead from strategy, marketing, or product development; support from at least one more junior-level person; and high-level buy-in from at least one senior executive.

| FUNCTIONAL GROUP | PLACEMENT IN ORGANIZATIONAL STRUCTURE | POTENTIAL ROLE IN SEGMENTATION |
|--------------------------|---|---|
| Design and User Research | Generally part of product development. Occasionally placed under marketing or an independent department | Include in any exercise, especially if product adjustments are a possibility |
| Strategy | Generally works closely with CEO | Potentially leads segmentation. Include in any exercise, especially if broad strategic decisions are part of possible outputs |
| Marketing | Internal department | Potentially leads segmentation. Include in any exercise, especially if broad strategic decisions are part of possible outputs |
| Product Development | Generally led by a director of product development | Potentially leads segmentation. Include in any exercise, especially if product adjustments are part of possible outputs |
| Analytics | Generally part of product development, although some serve in marketing and strategy | Include if responsible for segmentation analytics |
| Sales | Internal department | Include senior-level staff if adjustments to sales process are possible, or if targeting potential outcomes |
| Information Technology | Internal department | Include if internal systems adjustments are required to track segments or obtain complex data |
| Customer Support | Internal department | Likely to be helpful as inputs into customer types |



3 CUSTOMER SEGMENTATION PROCESS

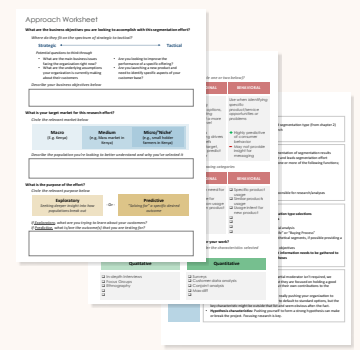
STEP 1 Define Your Objective



Tools

ACCOMPANYING WORKSHEETS

When completing steps 1, 2, and 3 in this chapter, take advantage of the worksheets provided. Use the worksheets to record decisions, and look back on them to gain clarity moving forward.



One of the most critical steps in conducting a customer segmentation is to clearly define your business objectives. The success of your segmentation depends on it. Use steps a, b, and c below to define your objectives.

a Is it more effective for your organization to focus on broad strategic questions or more tactical issues? Use the questions below to define your priorities.

STRATEGIC
High-level decisions about business direction

- What are the main business issues your organization faces right now? Do they center around opportunities – or problems that need to be solved?
- Which of these issues is specific to your current or potential customers?
- Do you have particular goals regarding current or potential customers?
- What are the underlying assumptions your organization currently makes about customers?
- Do you need to test those assumptions?

TACTICAL
Specific decisions related to products and services, communications, and operations

- Do you think you need to adjust your offerings or improve messaging?
- Do you want to target specific segments that may require adjusting your offerings and messaging?
- Do you plan to launch new products and services or expand into new markets?
- Are you being challenged by new competition?
- Is use or purchasing down for any reason?

b

What are your given assumptions about your segmentation exercise? Which parts of your organization's strategy are set and cannot be changed (e.g., focus on low-income customers, mobile money products only, etc.)?

c

Form your business objectives by putting together your answers from "a" and "b" above. The challenges and opportunities listed below may match your objectives and are a good place to start a segmentation.

| | CHALLENGE | OPPORTUNITY |
|-------------|-----------------------------|--|
| ACQUISITION | Increase customer awareness | Expand customer base |
| USE | Reduce dormancy | Increase uptake of product offerings Improve customer value proposition |
| RETENTION | Increase customer loyalty | Increase customer lifetime value |
| EXPANSION | Save for stagnant growth | Enter new markets Launch new products and services |

STEP 2

Pick Your Population

After selecting your business objective, the next step in a segmentation is to identify a population of current and potential customers to analyze.

Think about how your newly specified business objective may influence relevant customers. Would you like your segmentation to be tactical in nature, i.e., focus on specific groups? Or should it be more strategic and benefit from considering a wider population? Do you want to acquire new customers or retain current ones? Your answers to these questions act as guidelines for who to consider.

A few other questions to consider:

- What's the total population set that may need your products or services?
- Do you want to review all of these populations?
- If not, why exclude certain customers?

By defining a market, you're basically performing a rough segmentation or prioritization exercise. These decisions are often linked to simple characteristics like income or geography, but they may also be linked to more complex attributes.

Even if you think you know a population, push yourself to challenge your assumptions before you continue.



CGAP Photo Contest. Photo by Das. 2015



Bank BTPN, Indonesia. Photo by frog design. 2013



Case Study: Digicel, Haiti

CHOOSING A RELEVANT CUSTOMER POPULATION FOR SEGMENTATION

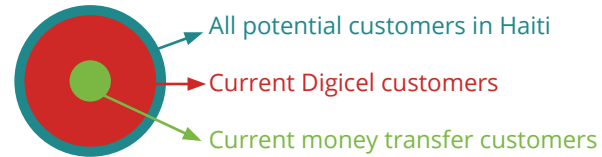
As part of their mobile money refresh strategy and to increase users, Digicel ran a customer segmentation. In considering the relevant universe of customers to segment, Digicel mapped out the intersection of all potential customers and customers that currently use their mobile money transfer services.

The exercise prompted three questions that you can apply to your own segmentation:

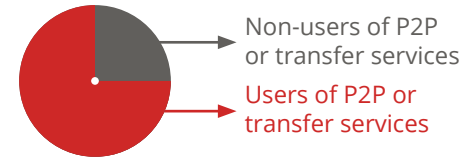
a What's the total population set that may need your products and services?

b Do you want to review all of these populations?

c If not, why exclude certain customers?



Digicel decided to focus on their mobile network service customers since they already collected information on this segment's phone use and behavior, and it was easy to text them about telecom-related promotions. Digicel's logical next step – and their key business objective – was to expand money transfer services by focusing on the current mobile network operator customers that form a large part of the Haitian adult population.



Across the Digicel customer base, there were customers who currently did not use formal or informal money transfer services. These customers were de-prioritized to focus research on current users of person-to-person (P2P) or transfer services.

STEP 3

Brainstorm

You probably already have an idea of what your customer segments look like. But it's important to factor in personal experience and intuition when it comes to forming your segmentation hypotheses.

Brainstorming sessions are good way to do this – assuming the right people are in the room and the right questions are asked.

Use the worksheet on page 21 as a starting point for running your meeting. It includes materials to prepare, people to include, a draft agenda, plus tips and recommendations on brainstorming.

EXERCISE 1 BRAINSTORM RELEVANT CUSTOMER CHARACTERISTICS

First, review the segmentation variables listed below and the advantages and disadvantages of each.

| 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 | | | |
| <ul style="list-style-type: none"> Males living in rural areas Students with mobile devices Low-income adults | <ul style="list-style-type: none"> Young go-getters Homemakers Community influencers | <ul style="list-style-type: none"> High loan use, low savings Repatriation recipients Traditional savers | <ul style="list-style-type: none"> Financial worrier Rationalist – emotionally removed from financial decision-making |
| ADVANTAGES | | | |
| <ul style="list-style-type: none"> Easy to understand Easy to target Data often readily available | <ul style="list-style-type: none"> Intuitively appealing Fits well with brand messaging | <ul style="list-style-type: none"> Highly predictive of (current) consumer behavior | <ul style="list-style-type: none"> Identifies underlying drivers and beliefs Provides insight for messaging and advertising |
| DISADVANTAGES | | | |
| <ul style="list-style-type: none"> Not predictive of behavior | <ul style="list-style-type: none"> Not predictive of behavior, especially for financial services Difficult to identify segments | <ul style="list-style-type: none"> Does not predict future behavior May not provide insights for messaging | <ul style="list-style-type: none"> Difficult to identify segments May not predict behavior |
| 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. |

Segmentation can be a mix of types of variables. David Meer's *Harvard Business Review* article, "Rediscovering Market Segmentation," offers greater context.

Now that you have the basics on overall variables, think about which are most relevant to your customers and your situation. Dig into the list below and circle those that apply. Consider advantages and disadvantages from the previous page.

Potential variables to get you started

| DEMOGRAPHIC | LIFESTYLE | BEHAVIORAL | ATTITUDINAL |
|--|---|--|---|
| GENERAL | | SPECIFIC TO YOUR OFFERING | |
| <ul style="list-style-type: none"> Age (younger, middle age, older) Location (urban, peri-urban, rural, deep rural) Gender (male, female) Children (Yes / No) Proximity to family members Literacy / numeracy Income / poverty level International monetary transfer recipient (Yes / No) Social transfer beneficiary (Yes / No) Level of education Employment status Type of employment / source of income Frequency of income (daily, monthly, unpredictable) Has bank account (Yes / No) Has mobile wallet (no, mini, standard) Has national ID card (Yes / No) Has structural barriers to using money transfers (access, convenience) | <ul style="list-style-type: none"> Level of responsibilities / relaxed vs. busy lifestyle Spontaneous vs. planner Stressed vs. relaxed Risk profile “Connected” / social (Yes / No) Entrepreneur (Yes / No) Homemaker (Yes / No) Has many leisure activities / expenses (Yes / No) Social standing | <ul style="list-style-type: none"> Financially proactive (saves, budgets) Purchases frequency (personal and business) Cell phone use: sends / receives SMS, calls, checks balance, uses USSD menu Proficient with phone (commands, use) Purchases phone recharge frequently (Yes / No) Knowledge of money transfers (none, low, medium, high) Frequency of sending money Frequency of receiving money Amount of transfers (low, medium, high) Level of loyalty to money transfer products (low, medium, high) “Stores” money vs. “saves” Most frequently used transaction type (current money transfer users) Use of internet Use of phone games | <ul style="list-style-type: none"> Open to learning about new technology Seeks / highly values cost savings with phone use Seeks / highly values promotions with phone use Concerned about safety of carrying money in general Associations with organization Values convenience (speed) of money transfers Values reliability of money transfers Values cost savings (transport vs. comp.) of money transfers Has emotional barriers to using money transfers (trust, fear, etc.) Has rational barriers to using money transfers (relevance, perception of benefits, etc.) Optimist / aspirational (Yes / No) Need / desire for prestige (Yes / No) Perception and importance of social norms |

EXERCISE 2 A DAY IN THE LIFE OF YOUR CUSTOMER

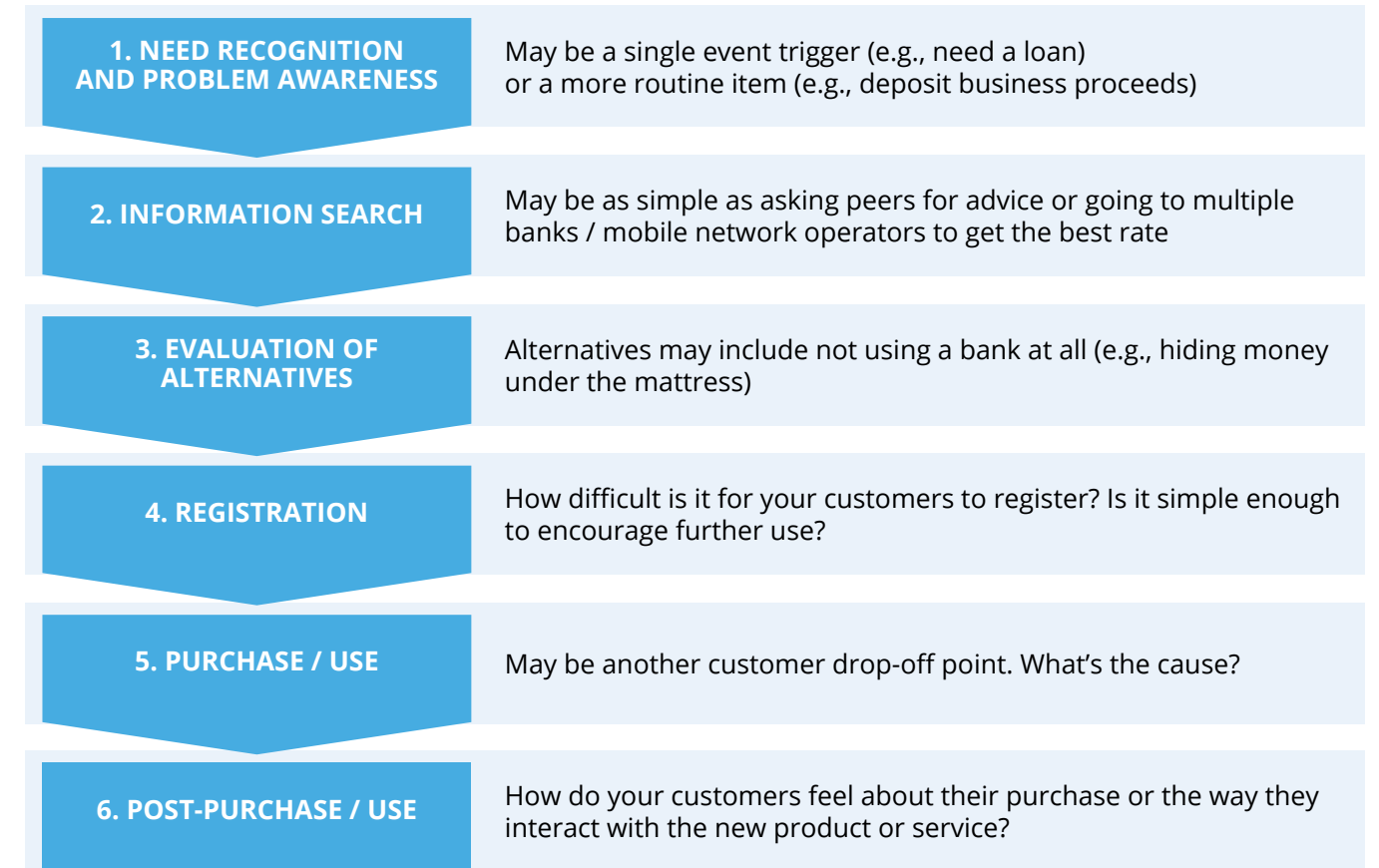
Have each person in your brainstorming session complete this exercise separately. Afterwards, compare notes and discuss your results.

Close your eyes and imagine one of your customers. Think about what they look like, where they live, what they do for a living. Imagine a day in their life. What’s the first thing they do in the morning? Are they going to have a busy day? What do they do with their free time? What challenges do they face throughout the day?

Next, think about how your customer uses financial products and services. When do they use them and why? Would they choose your products and services over the competition? Why? What do they like about them? What do they dislike?

EXERCISE 3 BUYING PROCESS

In this exercise, map out each step of your customer buying process.



Think about how these steps break out for different customers. In step 2, for example, how do customers learn about your products and services? If by word-of-mouth, who are their trusted advisors?

In steps 3 and 5, what convinces potential customers to use your products and services? Why might they choose not to?

Use sticky notes on a whiteboard to map out all possible paths customers may take through the buying process. If you’re feeling ambitious, assign a percentage to the number of customers that take each option at each step.

Next, choose one of the paths you created. What type of customer would take it? How are they different from customers who would take other paths? Repeat the process until you’ve thought through a few paths.

Test your thinking by looking at the customer journey and identifying the biggest customer drop-off points. See if your group agrees on these points, then relate them to previous conversations about which path particular customers follow.

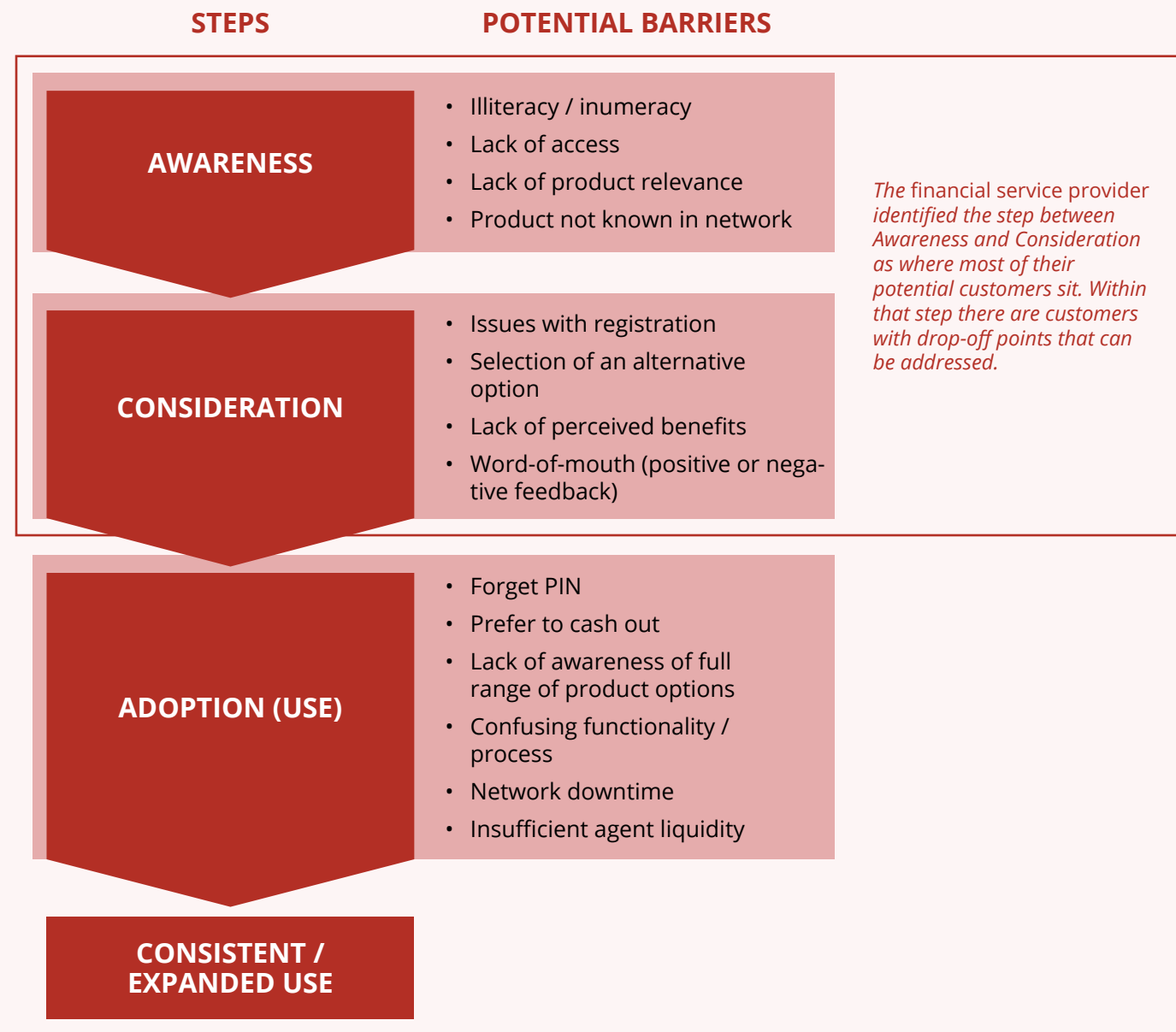
Take a look at the case study on the following page to see an example of an adoption pathway and to learn more about drop-off points.



Case Study: Adoption Pathway

ADOPTION PATHWAY FOR A FINANCIAL SERVICE PROVIDER

Here's a sample adoption pathway (similar to the buying process) that a financial service provider brainstormed during trials of this toolkit.



After completing brainstorming exercises 1, 2, and 3, write down your initial ideas on possible segmentations before moving on to additional analyses.

STEP 4

Conduct Informal Qualitative Research

Now that you've done some initial brainstorming, it's a good idea to test your concepts with actual customers. There are many ways to conduct quick and inexpensive qualitative research. The four methods below provide more context on customer experience without the 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.



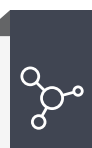
MYSTERY SHOPPING

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.

**STEP
5**

Dig into Existing Data

To begin using data, think through what's available internally and externally. Internal data may include customer registration or transaction information and previously completed qualitative or quantitative studies. For external data, look to census data, public data, and academic studies. The following references and resources can help you get started.



References / Resources

DATA

- Country census data. Important data on population statistics, including geographies and demographics. <http://ghdx.healthdata.org/data-type/census>
- Financial inclusion insights. Intermedia provides survey data and views of eight countries in Sub-Saharan Africa and South Asia. <http://finclusion.org/datacenter/>
- Finscope. Nationally representative consumer and small business surveys in the financial sector. <http://www.finmark.org.za/finscope/>
- Global Findex. Data provided by the World Bank includes dashboards across countries, key metrics, and raw data. <http://data.worldbank.org/topic/financial-sector>
- Industry data reports collected in a number of areas, i.e., financial inclusion insights and reports by Frost & Sullivan, Thomson Reuters, etc. <http://finclusion.org/datacenter/>
- Micro-insurance coverage data by nation. <http://www.microinsurancenetworg.org/world-map-microinsurance>
- Useful Data Sources Measuring Financial Inclusion – a financial inclusion guide by CGAP. <http://www.cgap.org/blog/10-useful-data-sources-measuring-financial-inclusion>

DATA ANALYSIS CONSIDERATIONS

- Seven steps of data analysis. A walk-through of how to approach data analysis. <http://www.oracle.com/us/corporate/profit/big-ideas/052313-gshapira-1951392.html>
- Top Ten Tips for completing data analysis. A collection of tips and tricks for completing data analysis. <http://www.statmakemecry.com/smmctheblog/top-ten-tips-for-data-analysis-to-make-your-%20research-life-ea.html>

EXCEL

- Excel tips, tricks, and how-to's to enable your analyses. http://www.pointit.com/blog/excel_tips_and_tricks_for_a_successful_and_%20efficient_data_analysis
- How to use Pivot Tables for data analysis. A very helpful tool for quickly examining the effects different variables have on each other. <http://fiveminutelessons.com/learn-microsoft-excel/how-create-pivot-table-excel>

Once you've collected relevant data, what's the next step? Keep in mind that data analysis can become an endless process, but you can avoid this if you have a relatively specific idea of what you want to produce. Following are six perspectives on analyzing transaction data. You may use this process to analyze other types of data as well.

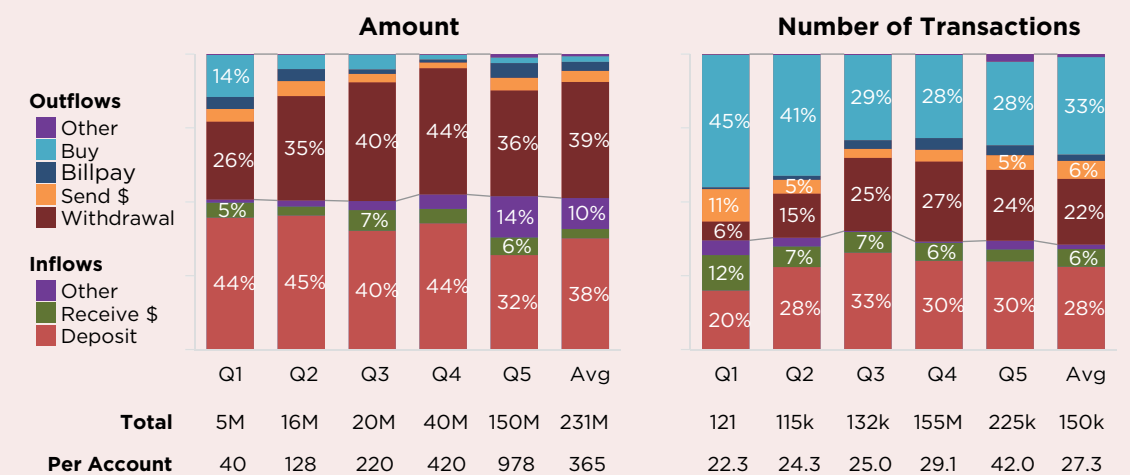
- Outline the contents of your data. Which variables are available, and for what time periods? How many rows do you have? (If more than one hundred thousand, consider using a program like Access or SQL.)
- Identify desired outcomes of your analysis. What questions are you specifically asking? What answers do you expect? The more specific you are here, the better. Drawing charts of the content you want to build is a great technique (fill in with "dummy" data to start).
- Don't underestimate the importance of starting with high-level aggregate statistics. For example, what's the overall average? The tenth percentile? The ninetieth?

EXAMPLES: TRANSACTION DATA ANALYSIS

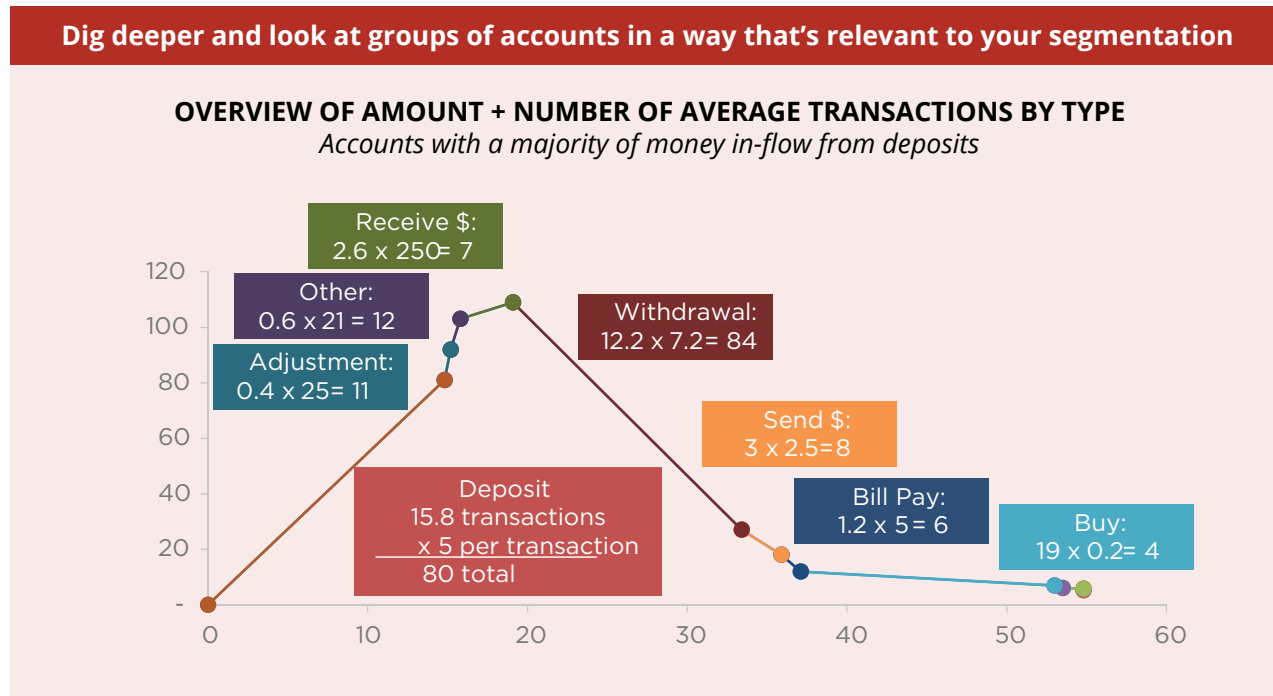
Start with an aggregate view to get an understanding of both the data and the accounts within

AMOUNT + NUMBER OF TRANSACTIONS BY TYPE FOR ACCOUNT QUINTILES

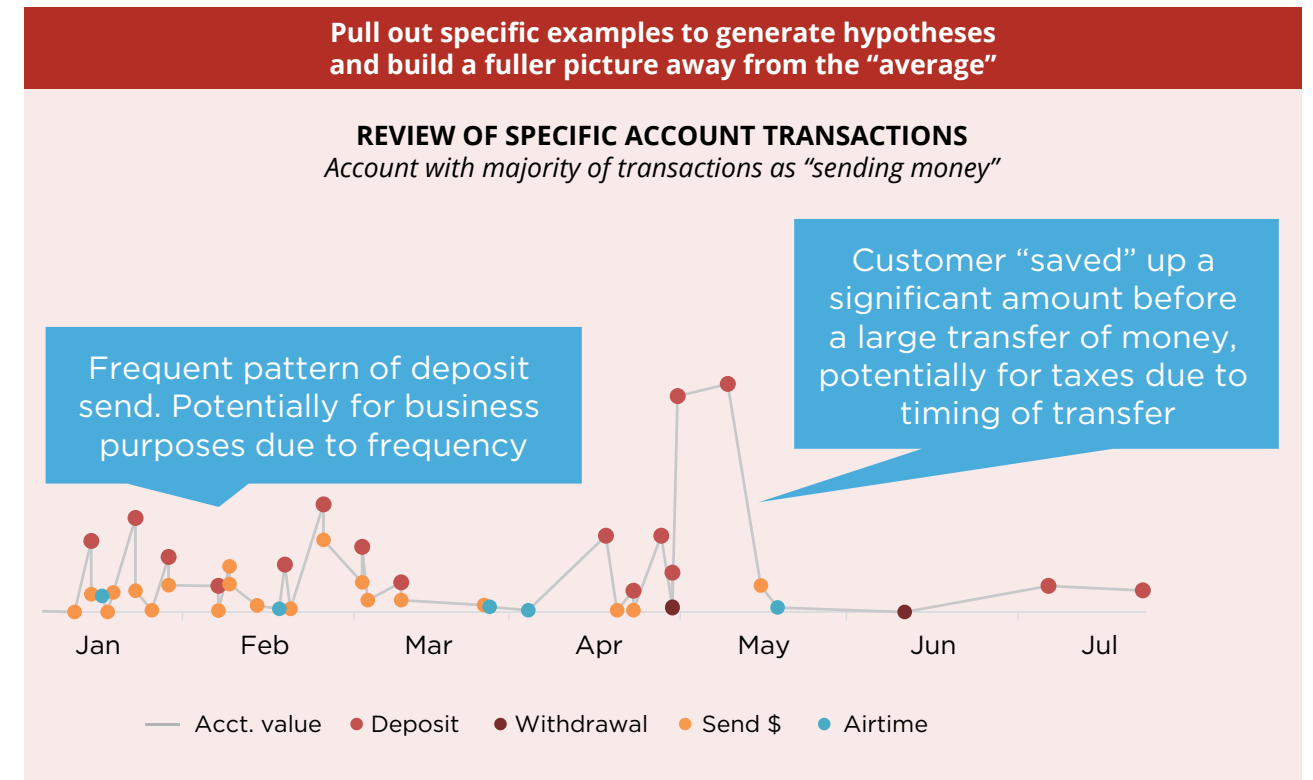
Account quintiles by total in-going / outgoing money in account over past 12 months



d Push beyond averages to more specific inquiries. How do the average number of transactions vary for those who spend a lot vs. those who spend little? Those who spend frequently vs. infrequently?



e Get specific with your customers. Sometimes the “average” doesn't represent any customer since a wide range of groups form that average. Look at a number of specific account actions to inspire further analysis and insights.



Entrepreneur, Indonesia. Photo by frog design. 2013

f Reflect on what your data outputs mean. Do they confirm or dispel your original hypotheses? What are their limitations? It's easy to get a false sense of security from fancy charts and large datasets. Pay attention to what the data excludes and what you still may not know!

**STEP
6**

Develop Hypothesis Segmentation







It's at this point that the various elements of segmentation come together. Revisit notes from your brainstorming sessions, informal qualitative research, and data analysis. What stands out as a viable segmentation? Does it make sense? Does it fulfill your objective?

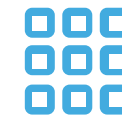


Case Study: Hypothesis Segmentation

HYPOTHESIS SEGMENTATION

The best way to describe hypothesis segmentation is with an example. In one of the trials of this toolkit, a financial service provider was considering three options to address their challenges and was starting to hone in on the one that might be the answer. Based on their needs, they were able to look at options 1 and 2 to determine the right kinds of products based on use cases as well as customers' transactional histories.

| Option 1 PRIORITY LEVEL | Option 2 USE CASE | Option 3 DRIVER BASED |
|--|---|--|
| Examples | Examples | Examples |
|  <p>Gold: High transactions</p>  <p>Bronze: Low transactions</p> |  <p>Farmers buying goods</p>  <p>Students receiving funds</p> |  <p>Savings seekers</p>  <p>Prestige seekers</p> |
| Behavioral Segmentation | Demographic + Behavioral Segmentation | Attitudinal 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. | Based on the circumstances in which customers would use a money transfer service. Loosely based on occupation and sender / receiver distinction. | Based on customers' most valued drivers, which influence their choice of money transfer services. |
| <ul style="list-style-type: none"> ✓ Easy to find in transaction data ✓ Prioritization based on clear definition of value | <ul style="list-style-type: none"> ✓ Easy to communicate internally + to tellers ✓ "Cases" are fairly fixed ✓ Useful for product development | <ul style="list-style-type: none"> ✓ Good for competitive positioning ✓ Addresses customer needs ✓ Good for messaging |
| <ul style="list-style-type: none"> X No insight into customer needs or lifetime value X Not useful for messaging or product design | <ul style="list-style-type: none"> X Somewhat difficult to identify in data X May not be mutually exclusive | <ul style="list-style-type: none"> X Driver needs not very static, customers not mutually exclusive X Difficult to find in data |



HOW MANY SEGMENTS DO YOU NEED?

Generally you want to create as many segments as you find meaningful differences in behavior and attitudes related to your products and services. While exceptions may exist, segmentation tends to produce between four and seven segments.

Exploring more tactical questions may result in more segments, although they can be more expensive and difficult to implement. You may also face perception overload; thinking through more than seven segments in your head is quite a challenge!



DYNAMIC VS. STATIC SEGMENTS

"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 Meer²

Effective segmentations are dynamic. They concentrate on consumers' needs, attitudes, and behaviors, which often evolve over time. They're reshaped by market conditions such as fluctuating economics, emerging consumer niches, and new technologies that evolve rapidly. Once you identify your segments, it's important to track their evolution. Customer segmentation should be revisited regularly and redrawn as soon as a segment loses its relevance.



SEGMENT IDENTIFICATION IN PRACTICE

When you implement a segmentation it's important to identify which segments customers belong to. If agents or other employees need to easily identify segments, demographic characteristics are often required. Alternatively, segmentations based on behavioral or attitudinal characteristics can be used – as long as customers can be asked a small set of non-sensitive questions that place them in segment groups.

Sometimes customer segments can be identified using only internal data. In this case, your segmentation needs to rely on data fields that your organization collects or plans to collect going forward.

STEP
7a

Conduct Additional Research

You may wonder why to continue with additional primary research after reviewing all your data and brainstorming hypothesis segments. If you simply don't have the resources, that's a good reason! Otherwise, consider the following questions before deciding about further research:

WHAT'S AT STAKE?

Why are you conducting segmentation in the first place? Is it to finalize a go-to-market strategy that could make or break a new product launch? If so, you may decide that the expense of additional research could help you avoid a costly failure.

On the other hand, if you're using this toolkit as an exploratory exercise you may be better off saving resources. Think through the potential activities your segmentation would affect, and consider the cost of possibly making a decision based on inaccurate information.

HOW FAR OFF COULD YOUR HYPOTHESES BE?

How much do you trust the internal and external data you collected? How sure is your team about the hypotheses developed? Did you develop several sets of hypothesis segments or did everyone agree on the same assessment?

Share your hypothesis segmentation with a few of your agents or tellers. Do they recognize the customer groups you came up with?

If you're considering conducting additional research, think through the mix of research methods and determine what you can do internally versus externally. Here's some more detail about qualitative and quantitative methods:



PURELY QUALITATIVE RESEARCH

Focused on non-quantifiable information, generally more exploratory



BLENDED / SEQUENTIAL RESEARCH

Methods can be mixed within the same study (e.g., a qualitative interview that includes a short survey) or sequential

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

PURELY QUANTITATIVE RESEARCH

Research focused on measuring and quantifying. Can be exploratory but is often for testing hypotheses

BEST USED WHEN...

...you're completing more exploratory research on customer preferences and needs; there's not sufficient secondary research to form hypotheses; or the nature of behavior change is so great that you require deep insights on actions and attitudes

...you have sufficient time and resources to conduct two research phases, benefiting from the relative advantages of qualitative and quantitative research

...the burden of proof is high and you require a precise estimate of market opportunity

Each type of research offers its own methods, as noted below. However, for some of the more advanced techniques it's best to partner with a market research firm when possible.

| QUALITATIVE | | QUANTITATIVE | |
|--|---|---|---|
| INTERVIEWS <i>One-on-one interviews with members of your target population</i> | <ul style="list-style-type: none"> + Simple - Difficult to ensure truthful responses | SURVEYS <i>Carefully formed set of questions sent out to target population</i> | <ul style="list-style-type: none"> + Can fit a variety of analytics - Questionnaires and wording need to be fine-tuned for best results |
| FOCUS GROUPS <i>Carefully moderated, prompted discussions with groups from your target population</i> | <ul style="list-style-type: none"> + Can help spur participant ideas, creativity - "Groupthink" can elicit biased responses | SECONDARY DATA ANALYSIS <i>Similar to data analysis. Can be more advanced or include a wider range of sources</i> | <ul style="list-style-type: none"> + Factual: shows actions that have actually transpired - Retrospective; tough to pick out unmet needs |
| ETHNOGRAPHY <i>Close observation of select people's actions with focused questions (e.g., attitudes, values, etc.)</i> | <ul style="list-style-type: none"> + Follows behaviors and attitudes + Helps bypass certain participant-reported biases - Time consuming - Difficult to scale | A/B TESTING <i>Randomized experiment with two variants, A and B, which are the control and treatment groups</i> | <ul style="list-style-type: none"> + Tests actual behavior in response to different stimuli - May be difficult to estimate required sample size for significant results |

SPECIFIC QUANTITATIVE TECHNIQUES

CONJOINT
Advanced research technique to identify how people value different product and service attributes

MAX DIFF
Advanced research technique to identify which attribute people find most important

**STEP
7b**

Engage a Market Research Firm (optional)

| WITHOUT MARKET RESEARCH FIRM | STEPS | WITH MARKET RESEARCH FIRM |
|------------------------------|---|---------------------------|
| - | Identify and research potential market research firms | |
| - | Develop Request for Quote based on project specifics | |
| - | Review quotes or proposals. Hold brief discussions with market research firms | |
| - | Select market research firm | |
| | Decide on sample size | |
| | Decide on screening criteria and sampling approach | |
| | Develop screener | |
| | Develop discussion guide / survey | |
| | Translate discussion guide / survey (if necessary) | |
| | [Quantitative] Code survey if tested online, test for errors / bugs | |
| | Recruit respondents | |
| | [Qualitative] Conduct research, record notes [Quantitative] Code data | |
| | [Quantitative] Prepare and clean database | |
| | Analyze findings | |
| | Conclusions and recommendations based on analysis | |

FINANCIAL SERVICE PROVIDER
MARKET RESEARCH FIRM
COMBINATION

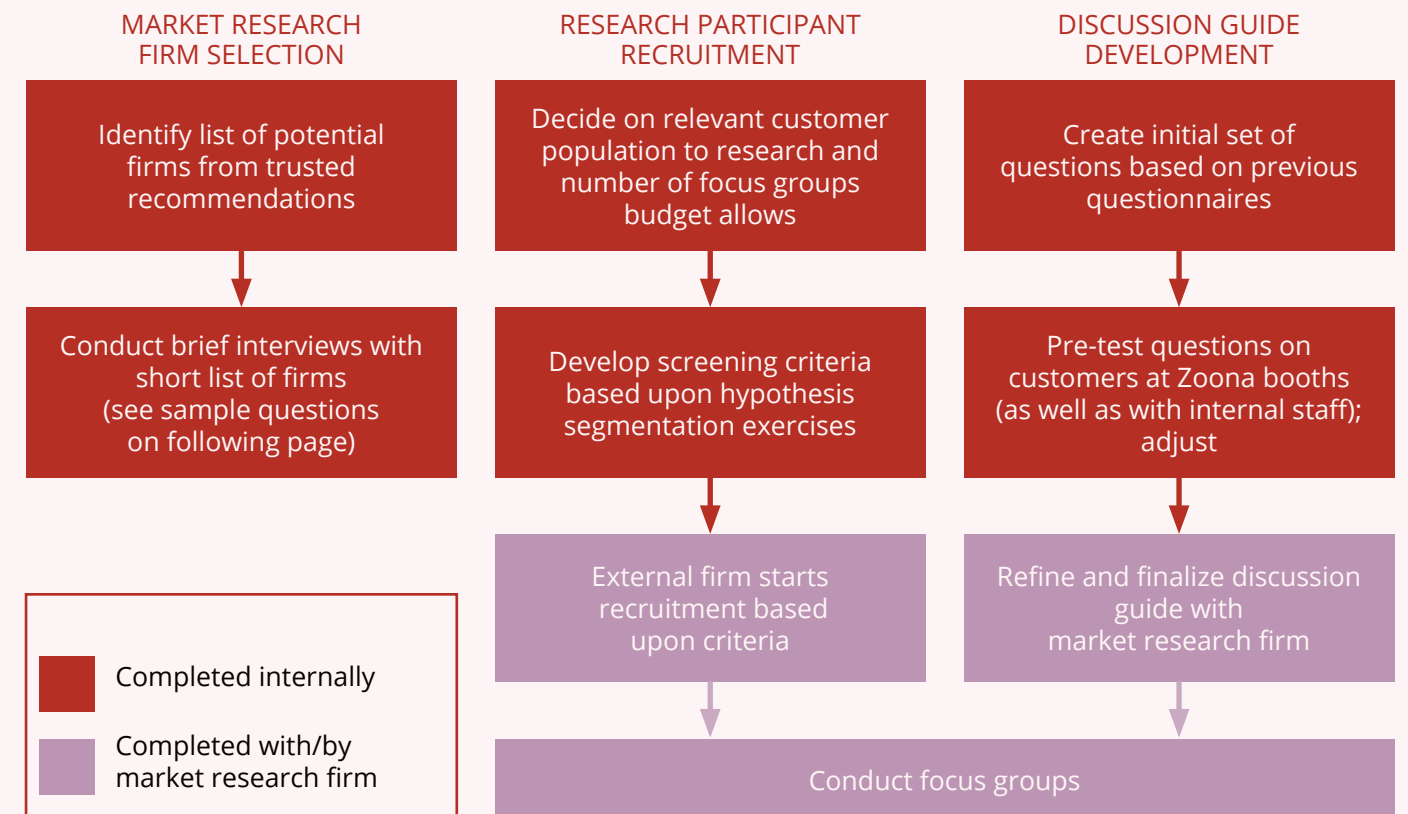

Case Study: Zoono, Zambia

SETTING UP FOCUS GROUPS WITH AN EXTERNAL MARKET RESEARCH FIRM

Zoono, a money transfer and payment service, wanted to use focus groups to gain greater insights from current and potential customers. Given time and budgetary constraints, they engaged a local market research firm for several reasons:

- 1. Recruitment:** With a short timeline, it was more efficient to have recruitment experts find focus group attendees.
- 2. Moderation:** Good moderators make focus groups look easy. In reality, however, it takes someone with a lot of skill and experience to successfully navigate a group and extract insights.
- 3. Cultural context / translation:** Even if Zoono had a great moderator, the local market research firm understood cultural context and was able to translate languages of attendees from various regions and backgrounds.

Zoono still wanted to conduct part of the process in-house so they could control some outputs and save money. They used the following process:



If you plan to hire an external market research firm, here are some important things to consider:

- Talk through the business objectives you want to achieve and the role market research plays in your segmentation effort. A quality firm will help you understand and refine your objectives.
- Look for the firm's desire to learn deeply about your organization's issues and objectives.
- If possible, have the firm be a part of hypothesis discussions so they understand the greater context of what you're looking for.
- Don't underestimate the hours your team may need to spend on the effort. Consider it a red flag if the firm plans to complete research in isolation from your team.
- Ask questions about the firm's ability to complete segmentations using many different techniques. They should be able to cater methods to the situation at hand.

SPECIFIC QUESTIONS TO ASK A POTENTIAL MARKET RESEARCH FIRM

- 1) What's your experience with qualitative and quantitative research methods in this market?
 - a. What range of methods do you offer?
 - b. What training does your project lead or team members have?
 - c. Would you provide a few example of projects you've lead and what you learned? Would you provide references?
- 2) When conducting research in this market:
 - a. What sampling methodology do you recommend for qualitative and quantitative research?
 - b. For quantitative research, what are the variables you control to ensure a representative sample?
 - c. Will the discussion guide / survey need to be translated into local languages? Which ones?
- 3) One thing we definitely want to ask participants is, "[Insert your question here]"

How would you go about eliciting valuable responses to that question?

 - a. How would you lead into the question to uncover more truthful, less guarded responses?
 - b. What exercises would you recommend?
- 4) What's your approach to quality control?
 - a. For the process, qualitative outputs, and quantitative outputs?
 - b. How do you plan to engage with our research team?



Tools

COST ESTIMATE WORKSHEET

You've probably wondered how much all this is going to cost. While it's difficult to provide specific figures, CGAP can provide input on various ranges you may expect to pay or produce in man-hours for a given effort.



Interview with BISP beneficiaries, Pakistan. Photo by Continuum. 2013

STEP
8

Refine and Finalize Segmentation

Refine your segmentation by reviewing the quantitative and qualitative information gathered. Then confirm or adjust your original hypothesis segmentation by following steps a through d below.

PROCESS

At this point, the foundation for finalizing your segmentation should be largely set. A strong hypothesis segmentation backed by good qualitative and quantitative information gathering and clean analysis of these materials can make the complexities of segmentation easier.

a

REVIEW YOUR RESEARCH FINDINGS

If you've completed qualitative research, first go through your notes or transcripts as a whole and jot down key themes and interesting findings.

Do the same with quantitative findings. Have your team look over preliminary data cuts, tables, cross-tabs, etc. Check for statistical significance to determine which findings are most reliable.

A helpful exercise is to have team members write findings on sticky notes and place them on a whiteboard. Arrange the notes in groups or categories.

Once you've laid out a framework, look through your notes to find supporting quotes and additional details that add nuance to your conclusions.

b

COMPARE FINDINGS TO YOUR SEGMENTATION HYPOTHESES AND OBJECTIVES

Your completed research should help you either confirm or reject the hypotheses laid out earlier. Check to see if this is the case. Were you able to test all hypotheses? Note which ones remain untested.

Sense check your discussion by going back to the beginning. Review (and confirm) the overall objective of the exercise and how your team thought they'd complete the segmentation. Does the proposed segmentation meet your objectives? Why or why not?

Are any key hypotheses or questions still unanswered?

c

CHECK YOUR INTUITION

Segmentation is a mix of art and science. As with most business decisions, there's generally not a specific "aha!" moment when you realize you have the right segmentation. A good test is when segments help answer your business objectives and seem intuitively right. Ask around – do other stakeholders recognize these segments? Have they met these types of customers before?

d

IDENTIFY FURTHER RESEARCH (IF NECESSARY)

You may choose to do further research. If so, what specifically do you need? Make sure your research has a definitive end.

You may decide that more sophisticated quantitative analyses are required. There are several options for statistical modeling that can help remove researcher bias in segmentation, identify statistically significant differences across your segments, and assess the size of your market opportunity more accurately (including K-means / hierarchical clustering and latent class segmentation methods). For these more advanced techniques, it's best to work with a qualified market research firm.

If you'd like a primer on advanced techniques, Theodoros Evgeniou from INSEAD provides a great [summary](#). Mktresearch.org also offers snapshots of advanced [techniques](#).



Market in Indonesia. Photo by frog design. 2013



Case Study

EXAMPLES OF FITTING OBJECTIVES AND SEGMENTATION TYPES TOGETHER

Segmentation exercises are unique to each organization and the situation that confronts them. It's impossible to put forth a set "if this, then do that" type of guide. However, here are a few examples and the logic for choosing each type of segmentation:

| | SITUATION | SEGMENTATION TYPE / RATIONALE | RESEARCH METHODS |
|-------|--|--|--|
| FSP 1 | <ul style="list-style-type: none"> Financial Service Provider 1 wanted to better understand their customers, improve overall customer experience, and protect against new competitive threats The organization wanted a segmentation that was easy to communicate internally and with agents, and that would provide insights for concrete product changes for priority segments | Financial Service Provider 1 sought a segmentation based mostly on use-case (a combination of demographic and behavioral characteristics), due to its ability to be easily understood across the organization and be used to form specific product offerings | Due to the need to explore customers more deeply and this being an initial segmentation, qualitative research that relied on focus groups was the focus. In total, eight focus groups of six or seven people were held, organized by hypothesis segmentation |
| FSP 2 | <ul style="list-style-type: none"> Financial Service Provider 2 sought to move into the unbanked market with a new branchless banking product They wanted to understand which segments would be most profitable and should be targeted first In addition, they wanted to understand the product and messaging changes that would be required for those segments | Given the focus on developing a strategy for a new product, Financial Service Provider 2 selected a behavioral and attitudinal segmentation for its improved ability to predict future behavior. They felt confident in their experience and knowledge, as well as in the resources they had to put forth for the effort | In focusing on identifying market opportunities, Financial Service Provider 2 focused mostly on quantitative research but used a mix of both. This included in-depth interviews, focus groups, and a nationwide survey of 2,000 unbanked individuals to identify discrete segments with different financial services needs and varying levels of sophistication |

STEP 9

Showcase Your Results

When you're ready to share the results of a segmentation with your organization, keep in mind that most stakeholders want to hear outcomes first. It's best to focus on results and why they're useful. Some people care more about data points and processes, so be prepared for these questions as well.

Regardless of the characteristics used to drive your segmentation, it helps to depict segments in a personal way when sharing. Creating persona profiles rather than relying on tables and charts, for example, helps your audience digest the most important segment characteristics. Also, prepare examples of the types of things these customers might say if you spoke with them. Actual and illustrative quotes bring segments to life.

For those who want to "see the numbers," try to pull out the most salient points instead of pouring over tables and charts. For example, what are 3-5 characteristics that really differentiate each segment? Once you zero in, reveal the data points that support them.

A good segmentation is one that people feel good about. These segments are "easily recognizable."



Family, Pakistan. Photo by Continuum. 2013



Case Study: Bank BTPN, Indonesia

AN EXAMPLE OF HOW TO PRESENT SEGMENTS TO YOUR ORGANIZATION

From Dalberg and frog design's work on project Bertumbuh for Bank BTPN.

SEGMENTATION PERSONA SNAPSHOTS



"ON THE VERGE"

Almost endless energy and possibilities; focused on ST consumer desires



"THE ESCALATOR"

Making progress in a slow and steady way, is a big saver. Focus on lifestyle goals; business goals are simply a way to achieve them



"STUCK"

Not unusual to have to borrow to feed the family. Hard to envision future when immediate needs are such a challenge



"THE ELEVATOR"

Success is the highest priority. Strong drive, always looking for opportunities to expand business or grow wealth



"THE MOVING WALKWAY"

Not progressing upward, but in an emergency has enough buffer to keep from falling



"THE COMMUNITY HUB"

Trusted center of community. Highly respected for personal character traits

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

STEP 10

Apply Your Findings

The most important step in segmentation is putting your findings to use. A perfect segmentation is worthless to your organization if it doesn't lead to value creation. The question is, how do you make sure that happens?

Back in Chapter 1 we talked about the value of segmentation in terms of its ability to help you:

- Uncover market opportunities and prioritize segments (focus resources)
- Tailor products and services
- Shape communications

Now that you have your results, it's important to brainstorm with appropriate teams in your organization to answer the following questions and develop a plan of action:

ESTIMATING MARKET OPPORTUNITY AND PRIORITIZATION

What market data are available?

- Did segmentation research gather data to assist with market sizing, or is further research required?

Which segments hold the most value?

- By numbers and average opportunity, which segments hold the most potential value?
- Which segments are the most likely to increase in value over time?

What competition exists in each segment?

- Are they highly competitive segments?

How do your offerings fit each segment?

- Do your offerings currently match the segment?
- Do you have the ability to alter your offerings to fit?
- How do you expect your offerings to hold up against the competition?

REVISITING THE CUSTOMER JOURNEY AND VALUE PROPOSITION

Based on what you've learned about segment needs and preferences, what would be the ideal value proposition for your priority segments?

How can their customer journey and experience be improved?

TAILORING PRODUCTS AND SERVICES

To what extent can offerings be tailored?

- Is your organization considering developing an entirely new offering, or are only slight adjustments possible?
- What's your organization's appetite for further change?

What needs to be changed?

- First, identify the product characteristics that are deal-breakers for your target segment and ensure they're correct
- For less important characteristics, it may be better to be slightly off the mark if it enables broader reach to other segments

SHAPING COMMUNICATIONS

What messages resonate best with your target segments?

- Can you address specific concerns or aspirations directly?
- Point out valued features of products and services

Which channels are most effective in reaching your target segments?

- Is your target tech savvy? Do they rely on word-of-mouth or personal connections? Think through how they receive information on products and ensure your advertising and messaging fits

Of the five pillars of customer centricity identified by CGAP, segmentation is most relevant as a tool that helps uncover customer insights. But it also touches upon aspects of the other pillars. Segmentation results and prioritization can help your organization become more focused and efficient across all pillars.

| LEADERSHIP AND CULTURE | FOCUSING OPERATIONS | PEOPLE, TOOLS, AND INSIGHTS | CUSTOMER EXPERIENCE | CREATING VALUE |
|--|--|---|--|---|
|  |  |  |  |  |
| Customer-focused leadership and culture | Focusing operations on customers – compliance, risk, IT, HR, finance, marketing, legal, training | Collecting information, generating insights, informing strategy and customer value propositions, empowering employees | Based on insights generated, design, concepts, test, build, delivery, scale, renewal | Creating and measuring value at customer, firm, and society level |

HOW THE FIVE PILLARS RELATE TO SEGMENTATION

| | | | | |
|--|---|--|--|--|
| Segmentation should be championed by senior leaders to further reinforce a culture of listening and adapting your organization to best meet the needs of your customers. The goal should be to make segmentation habitual as well. | Customer centricity requires shaping your organization to fit the consumers you want to serve. Insights from segmentation often leads to changes in how sales, support, and other teams are structured to better serve customers. | Segmentation is primarily a tool for uncovering deeper insights about your customers and uncovering new lenses through which to view their behaviors, choices, needs, and preferences. | Customer experience can be tailored to meet different segment needs and preferences – and improve customer satisfaction. | Genuine improvements in services offered to customers benefit both the organization and customers being served. Improved offerings reduce uptake and usage barriers for customers. |
|--|---|--|--|--|

STEP 11

Track and Measure



REVISIT DATA COLLECTION PROCESSES

Think through some of the data points you wish you had when you conducted your segmentation.

What are some ways to collect that data going forward? For example, 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.

It's also important to set up periodic surveys to sense-check segment size evolution and measure changes in behaviors and attitudes.



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.

Additional Resources

GENERAL FINANCIAL INCLUSION SOURCES

- Global Microscope on the regulatory environment for microfinance 2014 (including Excel spreadsheet).
http://www.eiu.com/public/thankyou_download.aspx?activity=download&campaignid=microscope2014
- Personalities of the Underbanked.
http://www.finmark.org.za/wp-content/uploads/pubs/FS2012_FROG_personalities_of_the_underbanked_1.pdf
- World Bank Consumer Protection and Financial Literacy Surveys.
<http://responsiblefinance.worldbank.org/surveys>

SEGMENTATION RESOURCES

- Averages Lie: Using Smart Segmentation to Find Growth – McKinsey.
<http://www.mckinseyonmarketingandsales.com/smart-segmentation-going-small-to-get-relevant>
- Cluster Analysis and Segmentation – Theodoros Evgeniou, Professor, INSEAD Business School.
http://inseaddataanalytics.github.io/INSEADAnalytics/Report_s45.html
- Handbook of Market Segmentation: Strategic Targeting for Business and Technology Firms – Art Weinstein (2004).
http://www.amazon.com/Handbook-Market-Segmentation-Technology-Customized/dp/0789021579/ref=sr_1_1?s=books&ie=UTF8&qid=1443120916&sr=1-1&keywords=Handbook+of+Market+Segmentation:+Strategic+Targeting+for+Business+and+Technology+Firms
- Latent Class Analysis – MarketResearch.org.
http://mktresearch.org/wiki/Latent_Class_Analysis
- Market Segmentation: Conceptual and Methodological Foundations – Michel Wedel and Wagner Kamakura (2000).
<http://www.amazon.com/Market-Segmentation-Methodological-International-Quantitative/dp/0792386353>
- Market Segmentation: How to Do It and How to Profit From It – Malcolm McDonald and Ian Dunbar (2012).
http://www.amazon.com/Market-Segmentation-How-Do-Profit/dp/1118432673/ref=sr_1_1?s=books&ie=UTF8&qid=1443120932&sr=1-1&keywords=Market+Segmentation:+How+to+do+it+and+How+to+Profit+From+It
- Rediscovering Market Segmentation – Harvard Business Review.
<https://hbr.org/2006/02/rediscovering-market-segmentation>
- Segmentation and Positioning for Strategic Marketing Decisions – James H. Myers (1996).
<http://www.amazon.com/Segmentation-Positioning-Strategic-Marketing-Decisions/dp/0877572593>
- Strategic Segmentation – Bain.
http://www.bain.com/bainweb/pdfs/cms/public/bb_strategic_segmentation.pdf

Additional Resources

OTHER RESOURCES

- Conjoint Analysis: A brief introduction on conjoint analysis from a market research consultancy.
<http://www.mit.edu/~hauser/Papers/GreenTributeConjoint092302.pdf>
- An Introduction to MaxDiff: A short slide show presentation on how maximum difference scaling works – Parametric Marketing LLC.
<http://www.slideshare.net/surveyanalytics/sva000-an-introduction-to-max-diff-v2-200100824-11>
- A Massive Social Experiment On You Is Underway, and You Will Love It: An Introduction to A/B Testing as It's Used in Modern Tech Organizations – *Forbes*.
<http://www.forbes.com/sites/parmyolson/2015/01/21/jawbone-guinea-pig-economy/>

RELEVANT CGAP RESOURCES

- Insights Into Action: What Human Centered Design Means for Financial Inclusion.
<http://www.cgap.org/publications/what-human-centered-design-means-financial-inclusion>
- The Many Faces of the Poor: Mass Market Segmentation.
<http://www.cgap.org/blog/many-faces-poor-mass-market-segmentation>
- Mystery Shopping Infographic.
<http://www.cgap.org/data/infographic-mystery-shopping-mexico>
- Power of Micro-segmentation.
<http://www.cgap.org/blog/lessons-leadership-power-micro-segmentation>
- Segmentation: A Tool to Enhance Activity Levels.
<http://www.cgap.org/blog/segmentation-tool-enhance-activity-levels>
- Segmentation of Smallholder Households.
<http://www.cgap.org/publications/segmentation-smallholder-households>
- Segmenting the “Bottom of the Pyramid” in Mexico.
<http://www.cgap.org/blog/segmenting-%E2%80%9Cbottom-pyramid%E2%80%9D-mexico>
- Understanding the Financial Service Needs of the Poor in Mexico.
<http://www.cgap.org/publications/understanding-financial-service-needs-poor-mexico>

Sources

CASE STUDIES

- **Centenary Bank** <http://nextbillion.net/blogpost.aspx?blogid=5395>
<https://grameenfoundation.app.box.com/s/f85hrqqkh1mjiqbwoayfad5zw7g23v>
- **Digicel** Based on CGAP internal experience
- **Oversea-Chinese Banking Corp** <http://thefinancialbrand.com/18642/ocbc-frank-gen-y-banking-brand/>
<http://melicacy.com/?p=7389>
- **UBL Bank** Based on CGAP internal experience
- **Zona** Based on CGAP internal experience

EXERCISES

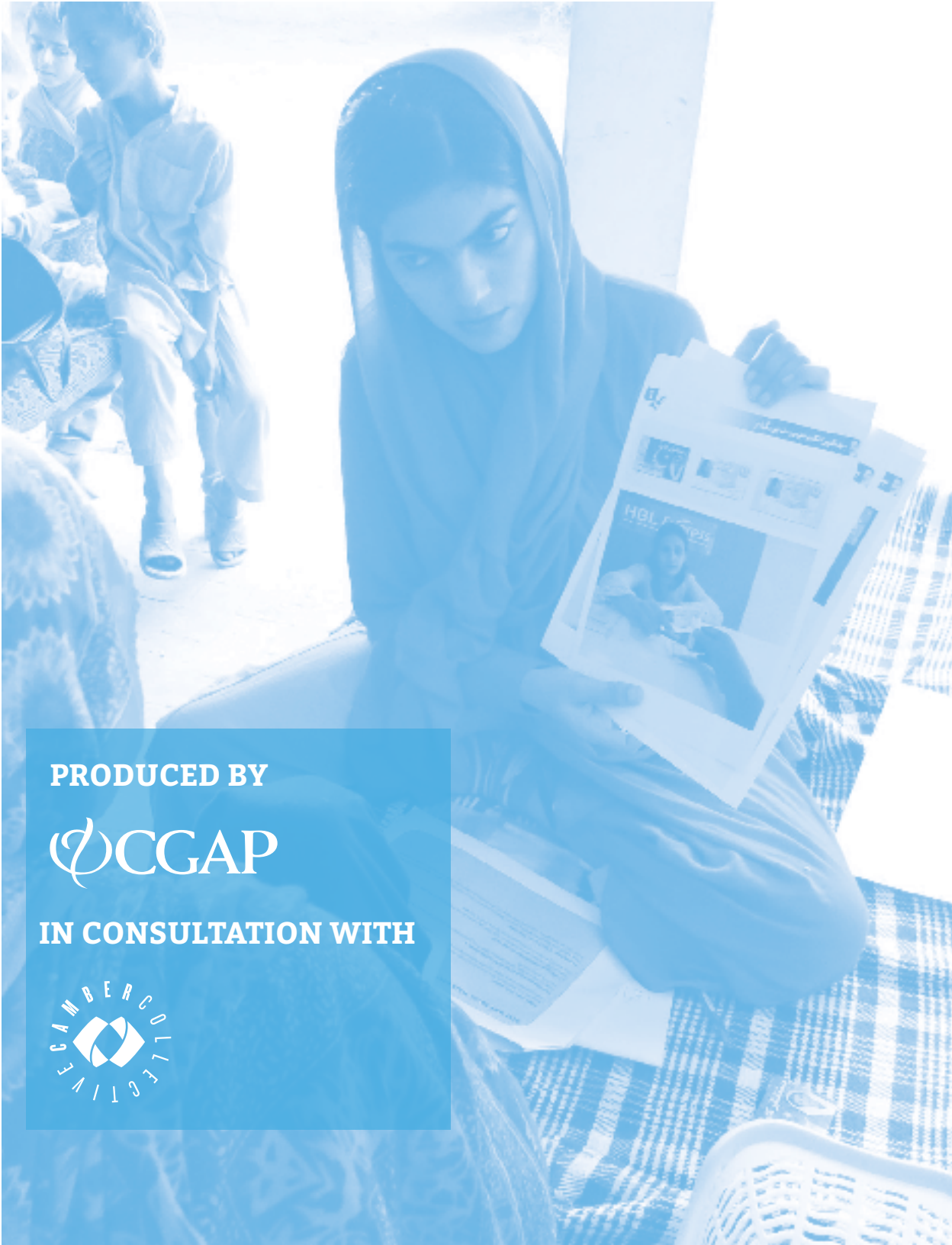
- **Size of Prize Exercise** <http://datatopics.worldbank.org/financialinclusion/>
- **Expected Budget Work** Based on CGAP internal experience

NOTES

1. <http://www.worldbank.org/en/news/press-release/2015/04/15/massive-drop-in-number-of-unbanked-says-new-report>
2. <https://hbr.org/2006/02/rediscovering-market-segmentation>



Young carpenter apprentice, Ghana. Photo by CGAP. 2013



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