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Measuring the Segmented Customer Experience

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Introduction

Segmentation is a critical tool in developing products and marketing offers. Companies routinely separate customers into segments to understand and satisfy their unique needs. So why is segmentation so rarely used when measuring the customer experience?

Some segmentation methods include:

- **Demographic.** Best Buy built customer segments such as Jill (the Soccer Mom) or Buzz (the young tech enthusiast), creating successful store offerings around each.
- **Behavioral.** Health insurance companies build segmentation schemes around consumer behavior and demographics such as Young and Healthy or Chronics.
- **Psychographic.** Can be based on lifestyle, opinions, hobbies, or similar items. Grocery stores use segments such as the Indulgent Shopper and the Convenience Shopper.
- **Geographic.** Suburban, rural, and urban are common B2C segments.
- **Industry.** Most B2B companies include at least some segmentation around industry.

When conducting a Customer Experience Measurement survey (whether Satisfaction, Net Promoter Score or Engagement), most programs combine all respondents into a consolidated set of results, combining customer segments into a watered-down whole. There are clear logistical reasons to do this – it is easier and cheaper to build one set of results than 3-7. But what is the impact?

In order to answer that, let's remember why we interrupt our customers' busy lives to ask them these questions. The reason to do a Customer Experience Measurement is to evaluate the status of customer experience drivers to understand where to focus efforts in order to create more profitable relationships. By treating customers as a homogeneous set, we miss the opportunity to address unique opportunities.

Industry Examples

To understand how to use segmentation in your Customer Experience Measurement program, let us consider examples from three industries.

Sports Bar and Restaurant. Using Behavioral Segmentation, three possibilities are Sports Enthusiasts, Family Diners and Date Night Couples. Each group is concerned with different factors at the restaurant that you need to consider.

Sports Enthusiasts want a clear view of multiple TVs with different games. Noise is okay – in fact, they are there more for the social aspect than the food. They want seating with their friends, drink specials, uncomplicated food, and separate tabs. The server should be readily available, and special events around their sport (e.g., guess the score) add to the excitement. They are less price sensitive (although will respond well to drink specials), and are all about the joint experience.

Family Diners look for a very different experience. They like it quieter. They want kid-friendly meals, quick service, decent prices, and a more varied menu. They do not need a lot of service attention, but the check had better be ready when they are.

Date Night Couples certainly want it quiet, and need less attention from the server. Unique menu options work well for impressing their date.

Specific segments vary by business and company, and each values something different about the same company. The first step of your Customer Experience Measurement program is to identify each segment's most relevant drivers, and to measure satisfaction of each one.

Compare this to a grocery store. *SuperMarket News* identified [ten segments](#), including:

- The New Value Shopper – seeking the best deals
 - The Health and Wellness Shopper – Consumers taking charge of their wellbeing
 - The List Maker – Those who come knowing exactly what they need
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Clearly, each has different needs in terms of pricing, signage, and selection, yet shares a single grocery store. If your survey asks “How easy is it to find healthy products?” the New Value Shopper will give a low rating – simply because she may not spend much time thinking about it. Reporting all segments as one group results in bad information, leading to strategy decisions that do not fit the customer needs.

Now let’s turn to the B2B world and look at employers purchasing health insurance. Three potential segments are:

- The Price Buyer – in the extreme these companies switch providers every year based solely on price. Features are far less important.
- The Solid and Steady – those who do not change providers unless they need to. Service is most critical.
- The Behavior Changers – those who want a provider to help their employees become healthier, reducing costs over the long run. They care about interventions and coaching, and are the least cost sensitive.

If each segment wants something different, how can we use one survey to provide specific, actionable insights to our business partners?

Linking Responses to Customer Segments

Unique surveys are often not an option – instead, segments need to be identified in the survey and called out in the reporting, highlighting the items that are most relevant for each. Three options to accomplish this are: tying the respondent to the customer database, finding a proxy, or using self-reported identification.

Tying to the segmentation in the customer database. If available, the best option is to tie the results to the segmentation in your customer database, preferably before the survey is sent.

Ethics Alert! Be careful to prevent even the perception that survey results will be used for marketing purposes, as customers are very nervous of this. The best way is to identify participants before the survey, and to store the responses in a separate database. It is even better if your survey vendor is doing the analysis, as that prevents any perception of data mingling.

Linking respondents to your customer database ensures customers are accurately tied to their segment. It may also enable unique surveys to be sent to each segment, as well as much richer reporting. For example, you can show the financial impact of engagement, demonstrating the connection between engagement and profitability for each segment, using groupings your business partners are accustomed to.

The challenge with this approach is that many B2C companies may not have data for each customer, and retailers and restaurants certainly cannot tie it into a transactional survey from the POS. If a database is available, alternatives including linking results to the database after the fact, utilizing a relationship survey (conducted outside of the transactional environment) or using another method found below.

Using a proxy. You may be able to identify segments through a proxy such as time of transaction or items purchased. For example, the Sports Enthusiasts are common on Sunday afternoons and Monday nights, while Family Diners often purchase a kid’s meal. The New Value Shopper may be identified based on a high percentage of private label products or coupons. This is imperfect, but is more reliable than utilizing self-reported data.

Using self-reported data. This is the least reliable option, but the one used the most. One challenge comes with crafting a question to discover the segments. For example, how many customers are willing to admit they primarily shop on price? Reliability of self-reported data is a real issue, and may require multiple questions to get at the results. Each question added leads to fewer responses, so use this option only if the others are not available.

Reporting the Results

Creating this linkage allows more actionable reports. For this example, we will look at the Sports Bar and its three segments. Utilizing a (fictitious) report without segmentation, the final report may look like this:

	Overall
Noise Levels	4.0
Food Variety	4.0
Entertainment Options	3.5
Speed of Service	4.0
Price	4.5
Service Levels	4.4
Overall Engagement	4.4

"Entertainment Options", report low scores, but have only a moderate impact on Overall Engagement.

"Food Variety" is the #1 opportunity to improve Engagement

XYZSports/Restaurants

It's not a bad report, with a great callout on Food Variety as an opportunity. But what is the opportunity behind Food Variety? More ethnic variety? More kids food? Different flavors of chicken wings? Your business partners need more direction.

Now, let's introduce segmentation to the report:

	Overall	Sports Enthusiasts*	Family Diners**	Date Night Couples***
Noise Levels	4.0	4.8	3.9	3.8
Food Variety	4.0	4.8	4.0	3.3
Entertainment Options	3.5	4.5	3.0	3.0
Speed of Service	4.0	4.0	4.5	3.5
Price	4.5	4.5	4.4	4.6
Service Levels	4.4	4.4	4.2	4.7
Overall Engagement	4.4	4.6	4.5	4.0

Date Night Couples are 30% more profitable than average customers. "Noise Levels" is 2.3 and "Speed of Service" is 2.7 for Date Night Couples on Sunday nights

"Entertainment Options", although reporting low scores, does not drive Overall Engagement scores for Family Diners or Date Night Couples

* Receipts generated from Sunday 2PM-9PM or Monday 9PM+ with >=1 food items
** Receipts including Kids' Meal at any time
*** Thursday-Sunday receipts after 7 PM with two entrees

XYZSports/Restaurants

While this is a busy slide (ideally it is broken into multiple pages), there is much more actionable information. It appears that the restaurant is doing quite well with their core segment of Sports Enthusiasts. Family Diners are also doing well – and the one area where they fall short (Entertainment Options) is not critical for this segment.

This report gives a clear course of action: Date Night Couples are not well-served, particularly on Sunday. Given that this is a profitable segment, it warrants attention. We also now have some direction for "Food Variety." Rather than trying to increase variety for all customers, this report shows that the other two segments are well-served – the focus needs to be on creating variety that is attractive to Date Night Couples.

Conclusion

Segmentation is critical to calling out the unique needs of each type of customer. This information is required in order to develop a successful customer experience, yet is missing from most Satisfaction, NPS, or Customer Engagement programs. Only through incorporating segmentation into your Customer Experience Measurement program can you give your business partners the actionable information they need to develop programs to engage your customers.

About the Author



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Jim has more than 20 years of experience in driving customer engagement from small business to Fortune 500 companies.

Jim's expertise has led to engagements as far-reaching as developing consumer tests at Best Buy, creating a Customer Insights capability at UnitedHealth Group, and consulting with clients ranging from global fast food giants to international manufacturing and service companies.

Jim is a dynamic speaker, passionate about building a world-class experience that results in customers who come back time and again.