10 ways...

to ensure an actionable segmentation

A practical guide by Alison Gore, Amanda Herbert and Cathy Swift

In his autobiography, *My Life and Work*, Henry Ford once famously wrote: “Any customer can have a car painted any colour – as long as it is black.” In the 80 years since this was written, thinking has moved on. Companies now attempt to divide their customers into smaller groups with similar attitudes and buying habits – and tailor both their offer and how they promote it with these sub-groups in mind.

Perhaps it is surprising then that according to a 2004 report, while 60 per cent of large companies had conducted a major segmentation in the previous two years, only 14 per cent had derived any real value from it. Too often segmentation studies can be theory-led and tell you the blindingly obvious, or exploratory rather than objective-driven. All too often they are not designed around real business issues, and are rarely adopted throughout the organisation.

Good segmentation can have a huge impact on corporate success, giving clear direction to your business, product development and positioning.

How can segmentation be a positive and useful experience? In this supplement, we suggest 10 ways to ensure that your segmentation will have the right impact.
1. START WITH THE END IN SIGHT
You could be wishing to segment your market for any one of a number of reasons. Before you start any segmentation exercise you need to be clear about what purpose (or purposes) it is to be used for, how it will be used, by whom, and in what context.

Do you want to influence product development strategy? Segmentation can help you to define your target customer, indication and product profile - down to your clinical trial endpoints.

Do you wish to develop a positioning for a product prior to launch? Segmentation can help you to understand not just the clusters that potential customers fall into, but how to allocate individuals to a segment, and where and how to communicate with them.

On the other hand, you may not yet be a player in a market, but want to establish if there are segments with unmet needs that can be targeted by R&D. What are the practical and attitudinal needs of the patients in each segment; how willing are they to take a pharmaceutical product for their condition?

It is essential that both client and agency are clear about precisely what the segmentation is going to be used for before the real work begins.

2. START WITH THE RIGHT TEAM
Market segmentation research can be both time consuming and costly. If you want your segmentation solution to be adopted throughout your organisation you need to ensure that the right people are engaged in the project from the outset.

Ideally, the agency’s segmentation experts should be involved from the word go – as soon as the agency receives your brief. This gives them the best chance of asking the client questions directly. A deep understanding of the business need for segmentation enables them to work with you to achieve the optimal solution.

Involving your internal stakeholders not only ensures that their needs and knowledge are captured but, importantly, it also gives them a sense of ownership and belief in the process and its results.

Consider engaging external experts - perhaps a key opinion leader, an influential physician, a patient, a carer, a payer. Market research-savvy physicians can be extremely helpful in providing advice about how to craft a questionnaire in such a way as to make the exercise easier and more enjoyable for respondents, and this will help to ensure data quality.

The right combination of stakeholders and experts will help you to generate initial hypotheses to frame the segmentation project. You may be surprised by what the team already knows. It’s always a good idea to have a clear and agreed direction but, naturally, the team needs to remain open-minded throughout the process.

3. WHOSE NEEDS ARE THEY, ANYWAY?
Let’s say that your objective is to segment the metastatic colorectal cancer (mCRC) market according to patient needs – should you ask patients about their own needs, or should you ask oncologists? And what kind of needs are we talking about – attitudinal or practical needs? The answers will depend to a large extent on the disease and whether it is established or not, together with your business objective.

If a disease area is mature there is a strong argument for conducting research with physicians, as they should be knowledgeable about their patients’ needs. If your objective is to inform strategic product development you need to ask the physician how he/she treats the patient, giving you a set of ‘patient situations’, for example ‘quick fix’, ‘enhance life quality’, ‘patient preference’.

To inform positioning you will need to ask the physician how he/she perceives the patient, giving you a set of patient typologies, for example, ‘strong embracers’, ‘disillusioned defeatists’. Looking at your market on both these bases gives you different windows onto the same situation.

However, if the market you are interested in is relatively immature, it is worth considering asking patients (or carers) directly about their own attitudes and needs – after all, physicians simply may not know.

Whichever approach you decide is best, consider some qualitative research to make sure that unmet needs as expressed by both patients and physicians are included in the segmentation questionnaire, as healthcare marketing is peppered with examples of disconnects between patient experiences and physicians’ perceptions of them.

4. HOW WAS IT FOR YOU? OPTIMISING THE RESPONDENT EXPERIENCE
The old adage ‘rubbish in, rubbish out’ is no less true for segmentation research than for any other type. We suggest that data quality can be optimised by ensuring that completing the survey is as manageable as possible for a respondent.

If, for example, you are gathering perceptions of patient unmet needs through the eyes of physicians you will typically ask each one to respond on behalf of a number of their patients. We recommend keeping the number of patients per physician to a manageable level - in our mCRC study we asked each oncologist in our sample to complete five patient records - to avoid respondent fatigue, and to maintain
interest and quality of responses.

It might be challenging for a physician to respond on behalf of a patient, especially if you are asking for 'softer' information, such as patients' attitudes towards their disease, impact on lifestyle, aspirations. You can make life easier for your respondents by asking them to respond on behalf of their next five patients, rather than their last five patients. In this case physicians may be able to take the opportunity to complete the records while they are with patients or their carers, rather than having to rely on their impressions and memories.

We found in our recent mCRC study that this approach led to a shorter fieldwork period than we had expected.

5. DISCRIMINATING THE SEGMENTS

So, you have clarified your objectives and you have decided whether patients' attitudinal or practical needs are of greatest importance for your segmentation. But your questionnaire needs to collect additional discriminating information that will help you to characterise and gain greater insights into the patients in each segment. This will be helpful, for example, in describing patients in your target segments when communicating with physicians.

Such discriminating factors might include stage of disease, access to private healthcare, availability of a support network, prognosis, gender etc. We found that in mCRC, for example, patient gender is a key differentiator - women are more likely to be embarrassed about having the disease and frightened of losing their hair; men are more likely to see cancer as a battle that needs to be taken on and overcome.

Depending on how much you already know about the disease area in question, it is well worth considering conducting an initial phase of qualitative research to make sure that you haven't missed a potentially influential angle in the questionnaire.

The extent of the qualitative research will depend upon the development of the market. Think: 'Do I need qualitative research to inform me about patients' needs?' or 'Do I need qualitative research to sense-check established thinking?'

6. ASKING THE RIGHT QUESTIONS - IN THE RIGHT WAY

Once you have drawn up the lists of attitudes and needs statements for inclusion in your questionnaire, you must decide how respondents will be asked to endorse them.

Scaled questions are useful for attitudes but not for needs, where pulling apart the nuances of importance is essential. Simple trade-off techniques such as Max-Diff can work in this instance by sorting lists of, say, eight or more attributes in their order of importance; however, Max-Diff won't help you arrive at the best combination of treatment benefits.

Conjoint is more suitable for this purpose, as it not only provides you with relative importance of product attributes (efficacy, tolerability, dosage regimen etc), but allows you to work out the optimum combination of specific attributes and levels (eg, lower efficacy but with improved tolerability and a reduced pill burden). There are many different conjoint designs in the marketing scientist’s armamentarium, and your agency will be able to explain their recommendation for one design over another.

While we believe completing a survey should be an agreeable experience for respondents, you don't want to make life too easy for them. We strongly advise against allowing a 'don't know' response on an agree/disagree scale. If there are, say, 37 attitudinal questions in the questionnaire, but a respondent answers 'don't know' to just one question for one patient, we cannot use any of their answers to any of the remaining 36 questions for this patient. Therefore, regrettably, we lose one important patient from our data set.

Unfortunately, most statistical software packages still don't have a reliable method for coping with these missing values. Many papers have been written about missing value analysis, but at the moment we don't have the perfect solution. It is not ideal to guess what a doctor would have answered if forced to give an answer other than ‘don't know’. We want to avoid assumptions and work with real data.

7. FUTURE-PROOFING SEGMENTATION

Time to look forward then. Given the duration of the product life cycle it is important to ensure that your segmentation is going to be relevant in the future. Work with your internal customers, and consider working with external partners, to envisage scenarios - whether related to future drug treatment paradigms, economic trends, the changing regulatory environment. Anticipate these when consolidating your segmentation solution.

Best practice guidelines for segmentation research include ensuring segment stability - something which is important within the pharmaceutical market where the segmentation will be referred to for a number of years to come.

We advocate avoiding the use of K means clustering, which is associated with instability, and instead use hierarchical clustering. It is important that the segmentation will be easy to replicate and update if desired.

8. THE BEST SOLUTIONS ARE A BLEND OF ART AND SCIENCE

Your team will have started with a clear idea of where they are headed following your initial hypothesis generation, but we suggest you remain open-minded and be prepared to accept that you may arrive at a different place.
Give the marketing scientists time to experiment with the data - for example, using different segmentation techniques and adding in different discriminating factors. There are a range of segmentation tools available in the marketing scientist’s toolbox - traditional factor analysis, latent class cluster analysis, multiple correspondence analysis. The most actionable segmentation solutions typically result from ‘playing’ with various techniques and overlaying different discriminating factors. The segmentation specialist’s magic black box will provide a solution, but often it needs honing before it becomes the best solution. The science gets you so far; you need discussion and creativity to make your solution real, rather than software-led, and take you to your ultimate destination.

9. BRINGING THE SEGMENTATION TO LIFE...

We advocated starting your segmentation project with all your key stakeholders on board. As the project draws to a close we hope that they are looking forward to seeing the output as much as you are.

We recommend that, once the segmentation specialists have come up with their initial results, you bring the whole client team back into the discussion. Invite them to an expertly facilitated workshop, and let them help shape the segments; let them name them. Not only does this mean you have segments that work for your business, but all of the key people have had the chance to contribute, and are more likely to own and work with them.

This crucial stage in the project will help to ensure that your segmentation comes to life - and reduces the likelihood of it ending up gathering dust on a shelf.

10. ...AND KEEPING IT ALIVE

We hope that your segmentation will not end up consigned to a file named Interesting Pieces of Theory, that have no practical application. The presentation of the final results should be the start of the segmentation’s useful life, rather than the end of the project. Of course, you want handy one-page visuals and data summaries, but you should be thinking about what you can use your segmentation for next.

Whether your initial goal was to inform product development or positioning, it may be possible to re-run the segmentation on revised variables as you learn more about your asset as it moves through the development process. You may require a tool that enables you to allocate customers to different clusters, either for the purpose of recruitment to a market research survey, or for targeting. This could be in the form of a short list of questions, or a decision tree, depending on how it will be used.

In an ideal world, the delivery of the segmentation solution should be the start of a relationship with your agency and its marketing scientists. Work together to ensure that your segmentation remains alive and relevant - not just today but well into the future.

Authors

Alison Gore (alison.gore@uk.millwardbrown.com) and Amanda Herbert (amanda.herbert@uk.millwardbrown.com) are members of the Marketing Sciences team at Millward Brown. Cathy Swift is a Director at Millward Brown Healthcare Europe and can be contacted on 01926 826571 or at cathy.swift@uk.millwardbrown.com.

Are your brands happy and healthy?

High levels of brand awareness, brand loyalty, consistent, impactful and targeted communications; all these help pharmaceutical brands thrive.

Brand performance dictates financial performance and at Millward Brown Healthcare Europe we make marketing an impact in the boardroom.

Millward Brown Healthcare Europe - we know what it takes to make a healthy, profitable brand.

To learn more please call Cathy Swift on +44 (0) 1926 826571 or email cathy.swift@uk.millwardbrown.com