Long recognised as valuable, customer segmentation is commonly viewed by many organisations as the ‘key’ to winning sales efficiently and effectively. Yet despite the history and ubiquity of the concept of customer segmentation, organisations frequently fail to capture the factors differentiating customers, or translate knowledge into action that delivers on the promise of segmentation. This article outlines four guiding principles that will help sales and marketing teams develop and deploy customer segmentation successfully.

Introduction

Segmentation identifies sets of customers who possess similarities relevant to a brand’s value proposition. The customer similarities are based on the potential they represent to the brand; the behaviours they engage in today; and the motivations that drive those behaviours.

Unfortunately, many segmentation efforts fail to deliver a solution linked properly to the brand strategy or the organisation is unable
to act to realise the value of segmentation. Consider the following situations, each of which has resulted in a failed segmentation effort:

- A marketing team developed a nine-segment solution. Because of the large number of segments, the team could not develop and support tactics for each segment, resulting in an overly complex solution with too many segments and undifferentiated tactics. The team’s attempt to capture every customer nuance derailed it from devising straightforward differential tactics that the organisation could adopt.

- Marketing led a segmentation that resulted in a solution that the sales leadership did not support. Good solution or not, without sales leadership support, the field representatives did not receive sufficient training or tools to use the segmentation solution. As a result, the sales force ignored the segmentation.

- The marketing team could not determine how to win over segments experiencing the highest level of competition because the segments lacked a connection to the brand’s value proposition – fast onset of action. In this case, the segmentation solution failed to differentiate customers on a key element of the brand value proposition and quickly fell into disuse by both marketing and sales.

- Global HQ created a simple segmentation solution that connected well to the brand strategy in support of a launch brand in a crowded market. But by refusing to spend resources with key affiliates to communicate the solution and adapt local systems to enable field representative usage, most affiliates failed to adopt the segmentation.

With such examples, no wonder pharmaceutical executives are sceptical about the value of segmentation initiatives and their ability to deliver results, despite the desire to leverage the concept. But segmentation can work – and in today’s environment of fiscal constraint, a company needs to segment its customers and prioritise sales and marketing expenditures based on the expected return on investment in each segment.

ZS Associates has developed four guiding principles to ensure segmentation success, enabling clients to act differently to win customers. When tailored to the unique market challenges the pharmaceutical industry faces, the principles can lead to differential actions in the market that increase brand profitability.
Four principles for success

Principle 1: Build a solid foundation

First and foremost, it is essential to build a consensus among stakeholders on the objectives of a segmentation effort. We have found that many marketing and sales teams do not have a shared understanding of what their organisation is trying to accomplish with segmentation. Without clear objectives, all efforts towards a segmentation solution are likely to fail.

As part of building a foundation, marketing teams must determine the proper basis to segment their market, based on key customer dimensions. The appropriate mix of dimensions depends largely on the agreed objectives of the segmentation.

For instance, customer segmentation dedicated to targeting and resource allocation requires capturing physician potential. Marketing and sales must determine together how the potential of each customer will be defined.

Segmentation applications that include positioning or messaging require an understanding of physician motivations in treatment decisions. In these cases, marketers need to ask what is driving customer behaviour? For a single segmentation effort to meet the needs of sales deployment and marketing strategy, managers must jointly consider potential, behaviour and motivation in the segmentation solution.

**Figure 1. Build a solid foundation**

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<th>AREA</th>
<th>OBJECTIVES</th>
<th>BASES</th>
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<td>Sales</td>
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Principle 2: Connect to the brand strategy

Customers have an inherent decision-making process that can be deconstructed, diagrammed and understood. Leverage points in that process serve as the foundation of brand strategy by defining the customer behaviours we wish to change through our marketing efforts.

Segmentation solutions will directly connect to the brand strategy by being firmly rooted in the customer decision-making process. We know what behaviours we want to change and segmentation helps to identify the different ways we can drive that change.

In a well-developed segmentation solution, we will translate brand strategy into segment-specific tactics to achieve the desired outcome for each segment. Customised tactics address the specific motivations and behaviours for each segment to win those customers.

Principle 3: Use rigorous evaluation criteria

Marketing teams can devise many alternative segmentation solutions, and it is important to choose the best one which results in action. There are three categories of evaluation criteria used in the selection process: analytic, business, and practical:

- Analytic criteria evaluate solutions based on statistical soundness. Characteristics such as solution stability and reproducibility with different sets of data are all evaluated with analytic criteria.
- Business criteria ensure that the solution is appropriate for the business application at hand: is it clear how the organisation can succeed in each segment over the next two to three years, and can it sell to the segments for a positive return on investment?
- Practical criteria ensure the solution can be used by the organisation. These criteria check if the market segmentation is intuitive and simple to explain. They also ensure that segment members can be identified so that sales and marketing campaigns can reach them.

Principle 4: Focus on implementation throughout the process

Many conceptually useful segmentation solutions that meet all of the criteria outlined still fail for a lack of implementation expertise. It’s a non-trivial challenge to move the sales organisation to act differently depending on customer type – yet it’s a degree of change often underestimated.
Implementation solutions begin with the active participation of all stakeholders in the creation of the solution. We need buy-in from sales leadership as well as field representatives that the segmentation helps them to achieve their personal goals – that it’s not just another headquarter’s initiative that does not add value.

In addition, proper implementation includes deploying the right sales and marketing materials to the field, as well as sales-force automation tools for customer profiling, sales-call planning and marketing-event coordination. In the most effective implementations, the segmentation becomes ingrained in every representative’s selling process – a natural part of how they tailor their approach to winning each customer.

Figure 2. Implementation throughout

**Case: How segmentation maximised product potential**

A pharmaceutical manufacturer preparing to launch a new product in a specialty therapy area invested in segmentation, with the goal of maximising the product’s sales despite budget constraints.

The company had to assess carefully where it could succeed and how to deploy its limited resources in the most effective manner to maximise product uptake following launch. The project team defined its objectives at the outset, and agreed to include behavioural and attitudinal customer information to meet the objectives, which included:

- Prioritise market segments based on overall customer size and ability to generate business
- Implement a mix of promotions to reach customers efficiently
- Tailor promotional messages by segment to influence customer decision making effectively.
Marketing and sales developed market segments based on a combination of primary research and secondary data. The segments differentiated physicians on several behavioural and motivational dimensions, eg, physicians were segmented by current prescribing behaviour when treating the disease in question. Physicians who initiate treatment with a potent class of products were differentiated from those who use these products only after the patient fails to respond to a less-potent choice.

The effort also segmented physicians on their motivations for treatment choices. One aspect of their treatment approach was the degree to which they involved patients in treatment choices. This motivation was important because it influenced how much weight a physician placed on managing side-effects when deciding what product to prescribe. The final result: four distinct segments, with individual characteristics and types of supporting communication that worked best for each. The brand positioning and core message of efficacy were consistent across all segments, while the supporting messages were tailored to the segment.

The segmentation solution played to the brand’s strength. The marketing team identified segments attracted to the brand’s simplicity of dosage and other innovative qualities; ranked segments based on ability to gain market share; and allocated resources accordingly.

The segmentation solution allowed the team to devise effective communications tailored to each segment’s needs and motivations. A communication plan emphasising the product profile in terms of tolerability was particularly effective for physicians whose patients had a major say in their treatment. A communication plan emphasising the simple dosage and efficacy of the drug was more effective for the simplicity-driven segment.

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<th>SEGMENT</th>
<th>KEY FEATURES</th>
<th>SUPPORTING COMMUNICATION</th>
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| Simplicity seekers | • Prefer simple dosing   
                   | • Limited patient time     
                   | • Want to avoid inconvenience to them of side effects | Simplicity of dosing means less hassle for them |
| Innovators    | • Eager to try new products        
                   | • Use more combination therapy   
                   | • Seek knowledge advances        | New MOA is reason to believe efficacy benefits |
| Aggressive treaters | • Prefer to use most potent treatment option first 
                   | • Goal is disease control as quickly as possible | Quick onset of action |
| Patient-centric | • Patient comfort primary decision driver       
                   | •Invests time in patients           | Tolerability yields compliance, compliance yields efficacy |
To implement the plan in the field, the marketing team generated “profiling questions” with the engagement of sales representatives. The answers identified customers by their appropriate segments, and the field sales force was trained on which message sequence or emphasis worked best with each segment. In this manner, the sales and marketing organisation was able to segment the several thousand doctors in its target audience, act on the results and avoid resource spend on non-targets.

The company maintained a consistent brand positioning and core message while the supporting emphasis varied by segment. Segmentation training helped the representatives ask the right questions, classify physicians appropriately and communicate the right message. The sales representatives found the segments intuitive, and the physician profiles resonated with them. In addition, because the representatives had been engaged in devising the segmentation, it became their solution as well. They were highly committed to using it.

To roll out this approach to engaging the customer, the company tested the segmentation’s impact in a limited number of sales territories. This helped define and test the processes, systems and tools needed to support a full-scale segmentation rollout and implementation for the sales force. Due to the product’s rapid adoption rate, the launch was considered one of the most successful in the company’s history.

Looking to the future

Pharmaceutical companies are under tremendous pressure to cut sales and marketing costs. In the future, the pharmaceutical industry will need to maximise returns on limited marketing budgets while cutting through competitive noise. Messages that address consumers’ individual concerns can more efficiently win over customers and enable effective deployment of limited promotional resources.

While some are sceptical about segmentation’s value – and the ability to implement it – experience has shown that by adhering to a few guiding principles, segmentation can systematically deliver results. It is possible to derive enormous value from segmentation and achieve significant gains in the marketplace. Best of all, these benefits can be achieved without wasting precious sales and marketing resources.
About ZS Associates

ZS Associates is a global management consulting firm specialising in sales and marketing consulting, capability building and outsourcing. The firm has more than 1,300 professionals in 19 global offices, and has assisted more than 700 clients in 70 countries. ZS consultants combine deep expertise in sales and marketing with rigorous, fact-based analysis to help business leaders develop and implement effective sales and marketing strategies that measurably improve performance.

As the largest global consulting firm focused on sales and marketing, ZS Associates has experience across a broad range of industries, including medical products and services, pharmaceuticals, biotechnology, high tech, telecommunications, transportation, consumer products and financial services.

For more information on ZS Associates, call +1 847 492 3602 or visit www.zsassociates.com

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