

Qualification: Strategic Segmentation

Strategic Segmentation is offered stand-alone or as part of a broader Customer Strategy

Summary: ICG to support the organisation in developing a strategic segmentation framework as a key enabler to an integrated customer strategy

Project description/approach

- 1. Set the 'Strategic Frame' for the Segmentation and identify the target customer outcomes it must explain and enable, e.g. satisfaction, engagement, behaviour change, equity etc.
- 2. Identify key internal stakeholders and define operational requirements for the segmentation (including a gap analysis vs current state and existing investment)
- 3. Use qualitative research (journey mapping ++) and data review to identify Hypothesis Segment Dimensions i.e. factors driving the biggest differences in needs, behaviour, experience, satisfaction, value etc. Also noting how dimensions help explain target outcomes
- 4. Form Hypothesis segments & stress test internally. Develop data / research briefs to quantify
- 5. Data review and quantitative research to validate, 'flesh out' & size segments. Build segment profiles, ensuring we have critical information to engage / track them & have aligned / ranked the various target outcomes (set in step 1) & opportunities by segment / group
- 6. Implementation / industrialisation: Develop RACI & ownership of segmentation, identify where and how it will be used, core supporting processes, metrics, scorecards, comms, etc.

Why ICG was needed

- Hard to prioritise customer initiatives. Internal confusion re segments and target outcomes
- Multiple conflicting segmentation frameworks and customer definitions
- · Multiple frameworks causing wastage / reinvention in research & data management
- · Inability to align partial segmentations with 'single view of customer'
- Inability to identify opportunities by segment to drive desired behaviour change or service uplift

Impact delivered by ICG

- Jointly developed, communicated / shared the first consolidated state-wide segmentation framework across critical internal 'customer' functions / stakeholders
- Redefined / broadened and mapped target customer outcomes to segments.
- Provided segment summaries for validation with quantitative research

New insights & IP for clients

- Demonstrated possible to synthesise single framework in very complex environment
- Reusable project plan / engagement approach

Feedback - repeat/change?

 Client extended the ICG engagement to continue this work and to develop related customer strategy workstreams such as customer value propositions & the customer journeys

Client: A large government infrastructure and services provider formed from multiple merged agencies

Industry	Infrastructure and services
Sector / function	 Segmentation Strategy – Part of Broader Customer Strategy Program of work
Geography	Australia

Project period / duration

Broader program ongoing at client. Majority of segmentation framework resolved at the end of 2023

ICG Contact Partner for more information

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Project Scale	USD \$0- \$50K	USD \$50K-\$1 00K	USD \$100K-\$ 250K	USD \$250K \$1M	USD \$1M Plus
ICG contribution			X		
Total project scale				X	



This project was focused on business strategy

ICG's Strategy Taxonomy

CORPORATE

- Business Model & Org Design (SBUs), Corp Centre/Shared Services
- Portfolio (Profit Pools & Industry Structure)/M&A/Joint Ventures/Portfolio Interfaces (See Horizontal Strategy)
- Governance
- EPMO/Investment Slate
- Culture/Tone from the top
- Transformation and Strategic Planning approach
- Strategy & Internal Consulting team design

BUSINESS

- Sources of advantage/Positioning
- Business Scope of each SBU
- Customers/Segments/
- Product
- Channel
- Geography
- Customer Experience, Journeys, Brands
- Competitors/Game Theory/Wargaming
- Regulator Interface
- Detailed Business Modell/Structure
- Business Plans

FUNCTIONAL

- Functions supported (Operations, Risk, Human Capital, Technology/Digital, Learning, etc)
- Their role and alignment to strategy/shared services
- Nature of support and advantage they provide/gaps in support
- Functional Strategies
- Functional Plans

HORIZONTAL

- Recognised and harnessed synergies
- Coordination/capture processes

- Customer Strategy
- Innovation/Accelerators
- Supply Chain
- Org Dev
- Data and Insight
- Change and Comms

PROCESSES, PEOPLE AND TECHNOLOGY

• Strategy formulation plans, tools, calendars and processes (Including Agile and Emergent Strategy)

Phased Segmentation Development Program with Structured Engagement

To Drive Buy in and Transfer Ownership for the Operationalization of the Segmentation Model We Executed Through a Cross Functional Team with Executive Check ins at key Stages

STEP 1 STEP 2 STEP 3 STEP 4 STEP 5 STEP 6

Set Strategic Frame

Define Operational Requirements

Hypothesis Segment Dimensions

Construct Hypothesis Segments

Validate & Quantify Segments

Industrialise, Embed & Roll Out

Set the 'Strategic Frame' for the Segmentation by understanding the overarching corporate strategy and synthesising the valuable target customer outcomes the customer strategy must explain and enable. Example customer strategy outcomes include: Equity, customer experience / satisfaction, cost / efficiency, customer value /

Understand current state: Stakeholders & RACI, operations, current segmentation frameworks, etc.

Identify and engage critical stakeholders. Distill operational requirements for the segmentation, (e.g. reporting, measurement and governance priorities)

Conduct internal workshops, data review, journey mapping and qualitative customer research (primary and secondary) to find drivers of customer difference (consider needs engagement, demo-graphics, behaviors etc.). Prioritise dimensions that drive the biggest differences & map to key target outcomes

Synthesize findings, socialise & confirm critical segment dimensions

Use core dimensions to create a single parallel set of 'Hypothesis Segments' in a single framework & covering the whole addressable market and truly reflecting differences in the way people engage with the product or service. Validate / stress test internally, ensuring broad agreement on hypothesis segment & target outcomes mapping

Develop internal data / research briefs to quantify / validate

Conduct data review / significant quantitative survey to quantify / confirm segments. Size segments in cust. base

Iterate where hypothesis not valid

Flesh out segment profiles. Bring to life & make easy to under-stand, track & engage. incl. needs, behaviour demo experience, media, pain-points etc.

Rank target outcomes & opportunities

Engage stakeholders to create ownership for segmentation – incl assigning key roles to operate, rollout and evolve segmentation

Develop RACI & operating model for managing segmentation. Align KPI's. Develop data frameworks, collection protocols, support services, reporting tools etc.

Collaboratively design organisation change process and roll out

engagement and

behaviour change

customer (organisational)

Example 1: Simplified Conceptual Strategic Segmentation Model: Uni Admissions

Segments are Designed to be both meaningfully distinct and also to enable a focus on Driving Target Outcomes



STUDENT OFFERED THEIR FIRST CHOICE

LEAVE ALONE

These students are likely to accept but if not there are others to take place

STRATEGY:

Do not spend valuable resources engaging them in critical period. Deploy digital engagement

OFFER COST EFFECTIVE SUPPORT

Students have not been offered their ideal course – may be shopping around

STRATEGY:

Apply some – relatively lean and focused – outbound engagement / support

LOCK IN QUICKLY

Students may still look around for same course at a preferred University

STRATEGY:

Engage students and incentivise them to commit and lock in acceptance

PROACTIVE CONVERSION

Students have not been offered their first choice. They are likely to be shopping around

STRATEGY:

Actively engage. Encourage them to accept by promote course benefits and explaining academic pathways to convert to preferred course

STUDENT OFFERED THEIR SECOND OR THIRD CHOICE

COURSE OFFERED IS UNDERSUBSCRIBED

CLIENT MOTIVATION & VALUE

University Admissions Process Segmentation

Previously client had a socio demographic segmentation and did not assign scarce outbound calling and follow up resources strategically across the different cohorts of applying students. The most noisy and needy students consumed much of the available call center and academic advisor time during the critical offer / acceptance period. They measured satisfaction will the service delivered by call centre but this wasn't too meaningful. They often realized too late which courses were undersubscribed and had no time to manage their pipelines and conversion. They needed automation of the customer journey and an ability to conduct digital lean engagement in most cases but also to overlay targeted outreach and conversion calls to the most valuable applicants. These were redefined as undecided applicants on under-subscribed courses who were not offered their first choice and were typically shopping around. They would often decide late and not take up a place that could have been offered to another.

ICG

OVERSUBSCRIBED

COURSE IS

Example 2: Simplified Strategic Segmentation: Use of Infrastructure / Services

Segments are Designed to be both meaningfully distinct and also to enable a focus on Driving Target Outcomes



ALTERNATIVE (NON TARGET) OFFERING / SOLUTION USED BY CONSUMER

NON VIABLES

Customers have specific characteristics that make offering unviable & have alternative

STRATEGY:
Do not Seek to Serve Segment

BESPOKE NEEDS

Customers cant use the offering and are disadvantaged / don't participate

STRATEGY: Adapt Offering or Leave / Ignore Segment

POTENTIALS

Customers who could viably / valuably use offering but don't

STRATEGY:
Awareness Trial and Conversion

THE FAITHFUL

Customers who use service/product because it is the best or only option (subsegments)

STRATEGY:

Solution & Satisfaction Uplift & Cost to Serve Reduction

SOLUTION USED OR CONSUMER DOESN'T PARTICIPATE AT ALL

CLIENT MOTIVATION & VALUE

Infrastructure & Services Segmentation

The client had no single segmentation framework and its customer objectives / target outcomes were narrowly focused on satisfaction and service delivery. It had a complex organization and was challenged prioritizing customer actions / initiatives by segment. The client requested help creating a single framework for segmentation and a way of prioritizing customer outcomes, objectives or strategies across segments. We created a single segmentation (with 16 + sub-segments) covering all people statewide and all services and aligned target outcomes and strategies by segment. The target outcomes were aligned with corporate strategy and expanded from a focus on service and satisfaction to include behaviour change, equity and cost to serve

OFFERINGS IS VIABLE FOR CONSUMER



OFFERINGS NOT VIABLE

FOR CONSUMER



Contact your Partner for more information

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