

1A Reflecting on Segmentation

Your business context

What's a business challenge you're facing that might benefit from segmentation?

What market are you interested in understanding better? Who in particular?

What are you curious to learn more about? Why?

Does it make sense to do a segmentation exercise?

	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).
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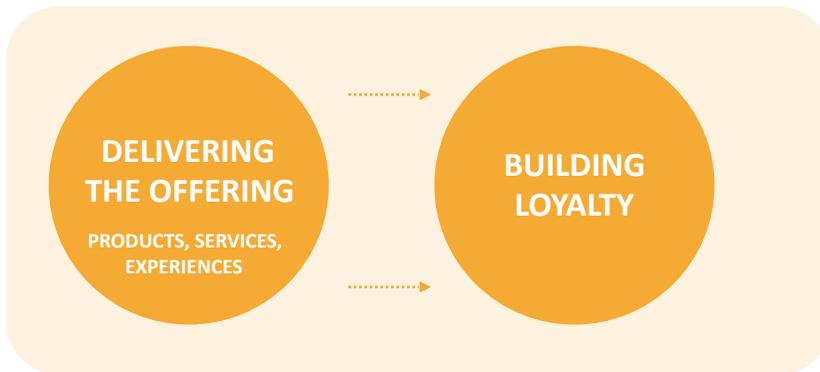
1B Segmentation References

Applying segmentation



SEGMENTATION APPLICATION

- Market sizing
 - Opportunity segments
 - Unfulfilled needs
 - Market positioning
- Use cases
 - Features
 - Customer experience



SEGMENTATION APPLICATION

- Marketing strategies
 - Pricing
 - Channels
 - Messaging/ Communications
- Incentives / Rewards
 - Ongoing engagements
 - Retention

Segmentation approaches

GENERAL		SPECIFIC TO YOUR OFFERING	
CONTEXTUAL		BEHAVIORAL	PSYCHOLOGICAL
Simple data points often readily available, such as gender, income, geography, etc.		Behaviors or practices related to a specific offering	Relevant attitudes, beliefs, or values related to financial management; or general needs, interests, aspirations
VARIABLES			
<ul style="list-style-type: none"> • Age/Gender • Income • Education • Location • Ethnicity 	<ul style="list-style-type: none"> • Usage/non-usage patterns • Financial strategies • Feature usage • Point of access • Timing and seasonal rhythms 	<ul style="list-style-type: none"> • Attitudes towards risk • Specific or similar product usage • Hobbies • Religious/political beliefs • Interest in new technologies 	
EXAMPLES			
<ul style="list-style-type: none"> • Males living in rural areas • Students with mobile devices • Low-income adults 	<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 • Young go-getters • Community influencers 	
ADVANTAGES			
<ul style="list-style-type: none"> • Easy to understand • Easy to target • Data often readily available 	<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 • Intuitively appealing • Fits well with brand messaging 	
DISADVANTAGES			
<ul style="list-style-type: none"> • Not predictive of behavior • Stereotyping • Not always relevant to product development 	<ul style="list-style-type: none"> • Does not guarantee future behavior • May not provide insights for messaging 	<ul style="list-style-type: none"> • Difficult to identify segments • May not predict behavior, especially for financial services • Difficult to identify segments 	

2A Applying Segmentation: The Case

Context

A large MFI in India recently acquired a bank license and wants to expand from offering group-loans to low-income urban women to serving new customer-groups with individual loans. In particular, they are interested in microentrepreneurs in the food, retail and transport business in low-income urban areas.

A few months ago, the MFI created a basic individual loan product, and piloted it with 300 customers. But they realized that several of their competitors in the market—both formal and informal financial companies—have such basic products, and to scale they need to distinguish themselves in the market with better value propositions. They need to understand this customer group better, delineate segments and segment-specific value propositions, and then tailor their offering before launching.

Basic product

Product	Individual Loan
Amount	USD 2000-10000
Interest	27-33%
Payback period	1.5 years

The MFI is considering adding savings accounts and business advisory services to accompany this loan, but need better guidance on how to structure and tailor these products.

Segmentation process

A team of researchers did 50 qualitative interviews with current and potential customers in low-income neighborhoods in Bangalore and Delhi. In an hour-long open-ended conversation, they asked customers about their business and personal challenges, their customer-base, the financial needs and financial lives, use of formal, informal and digital financial services, and their feedback on their customer experience.

Segmentation

The interviews were recorded and analyzed. Based on the findings, the research team has delineated three distinct segments of entrepreneurs.

Before this study, the MFI assumed that microentrepreneurs were most distinguished by their age and the maturity of their business. But given the volatile nature of their business, even well-established businesses could face shocks and slip into appearing like a new business. Conventional measures used to assess larger businesses, such as formal credit history, the size of an enterprise and the number of years it has been in business, often incompletely assess the business acumen of microentrepreneurs, casting them as a volatile, transitory and hard-to-reach group. Instead the key distinction is the business challenge they face—are they “surviving”, “stable” or “expanding”? These segments are not linear and a microbusiness may switch in and out of any of these phases at different times.



The tight-rope walker

A customer who is struggling to keep his/her business running. This could be a start-up, or an older enterprise hit by an unexpected shock. Shocks tend to erode personal savings



The juggler

A customer who has managed to strike a careful balance between their personal and business finances with some savings. He/she understands the rhythms of their business, and are better equipped to handle it. He/she want to maintain stability because of the life-stage (young kids), or have no particular aspirations and is comfortable where he/she is.



The trapeze artist

The trapeze artist has characteristics like the juggler, but with one key difference – he/she is ambitious. The trapeze artists in this segment have usually saved for this plan, and but need longer term additional funding to execute their plan.

2B

Applying Segmentation: The Challenge

Pick your segment



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The juggler

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What are your segment’s unique needs/challenges?

How might you tailor your product to fit their needs?

Product	Individual Loan
Amount	USD 2000-10000
Interest	27-33%
Payback period	1.5 years

Additional features:

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-
-
-

What messages might resonate with your segment?

What other products, services, or experiences might you bundle with this offering?