Your host today

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A seasoned commercial marketing professional, with over 20 years of pricing, product, and segmentation experience with international tier 1 brands. Utilizing his experience, he founded EPIC Conjoint in 2016.

Extensive background in telecommunications as former Head of Pricing at Telefónica Ireland and Ooredoo Group.

EPIC Conjoint mission:
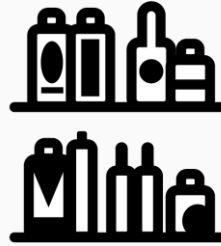
Demystify and Democratize Pricing & Product Research

One Cloud-based Platform, Multiple Survey Solutions

Choice-based Conjoint Analysis

Shelf Conjoint Analysis

Quantitative Surveys & A/B Tests
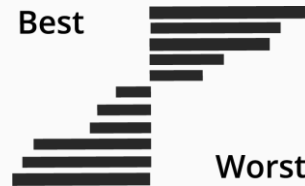
MaxDiff

Customer Segmentation

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US Inflation running at 40 year High

Tyson Foods — the US's biggest meat producer — reported that its beef prices rose 32 per cent year on year in the last quarter, while chicken was up 20 per cent.

Annual % change in US CPI

15

10

5

0

1980   1990   2000   2010   2020

Source: Refinitiv
© FT

Customers have different Willingness to Pay

Campanies can Derisk price increases by identify price sensitive/insensitive segments based on Needs and deploying on a Willingness to Pay basis

How do I determine customers' Willingness to Pay ?

Market Segmentation

CLASSIC DEFINITION...

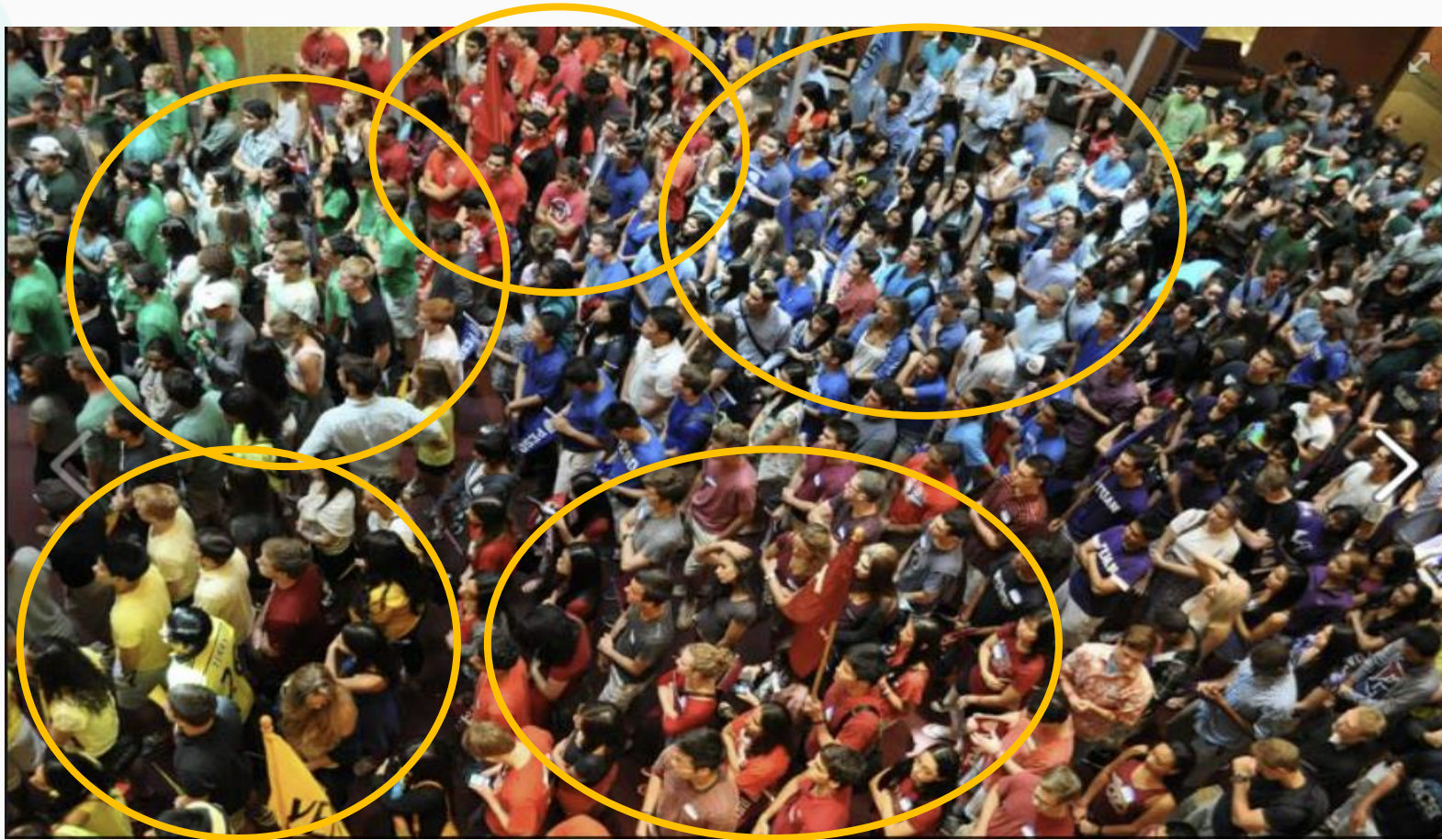Process of identifying similarities and differences among customers.

WE PREFER...

A group of companies or individuals with a common set of needs.

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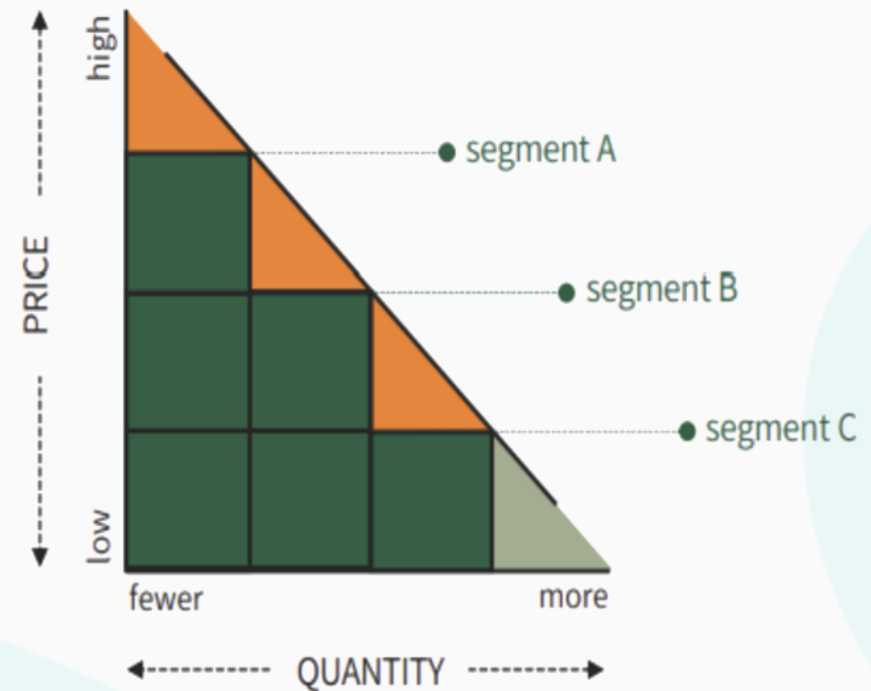# Most companies struggle to identify customer segments

If you look closely using the right lens you'll see them

Price segmentation is the second most profitable pricing decision you can make

Mark Stiving, Impact Pricing
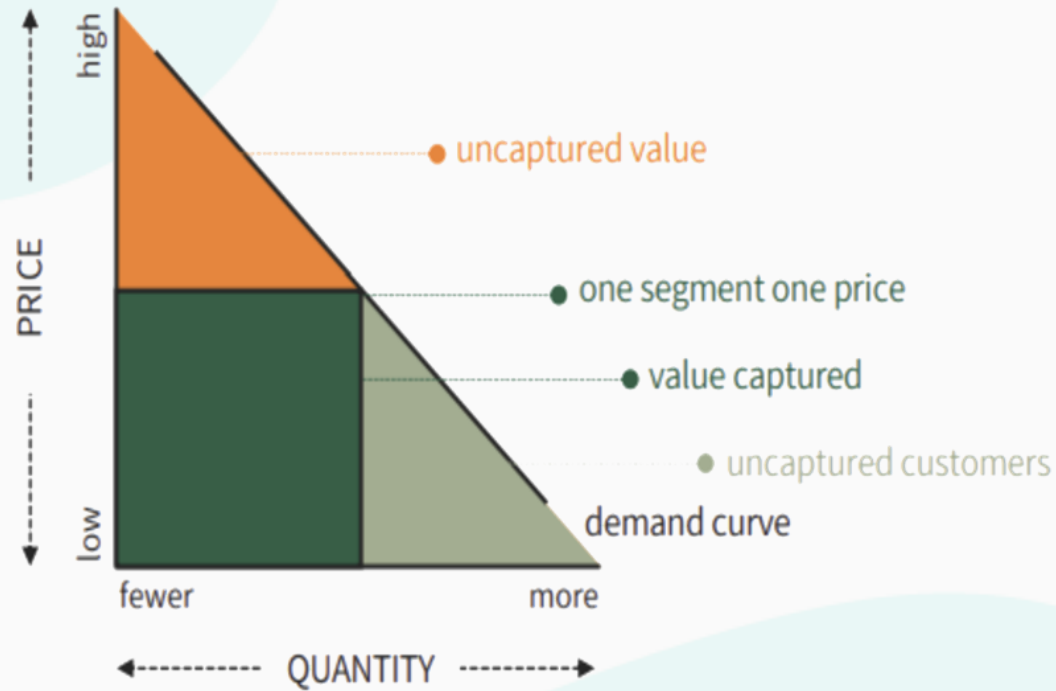
3 reasons why companies should Segment customers

1

Marketing

What message will resonate best with customers and how to reach them?

2

Product Development

What features should go in which product?

3

Pricing

What is the customer's willingness to pay?

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6 types of Market Segmentation

Demographic

Psychological

Needs-based

Geographic

Behavioural

Transactional

Age
Gender
Occupation
Income
Family status
Education

Interests
Attitudes
Values
Lifestyle

Problem solving
Functional needs
Emotional needs
Value alignment

Continent
Country
Region
City
District
Urban/rural

Purchase
Benefits
Customer journey stage
Usage based
Occasion/timing
Customer satisfaction
Customer loyalty
Interest based
Engagement level
User status

Recency
Frequency
Monetary

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No segmentation addresses Price explicitly

Demographic   Psychological   Behavioural   Transactional

Willingness to Pay + Price sensitivity

Age
Gender
Occupation
Income
Family status
Education

Interests
Lifestyle

Problem solving
Functional needs
Value alignment

Continent
City
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Purchase
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Recency
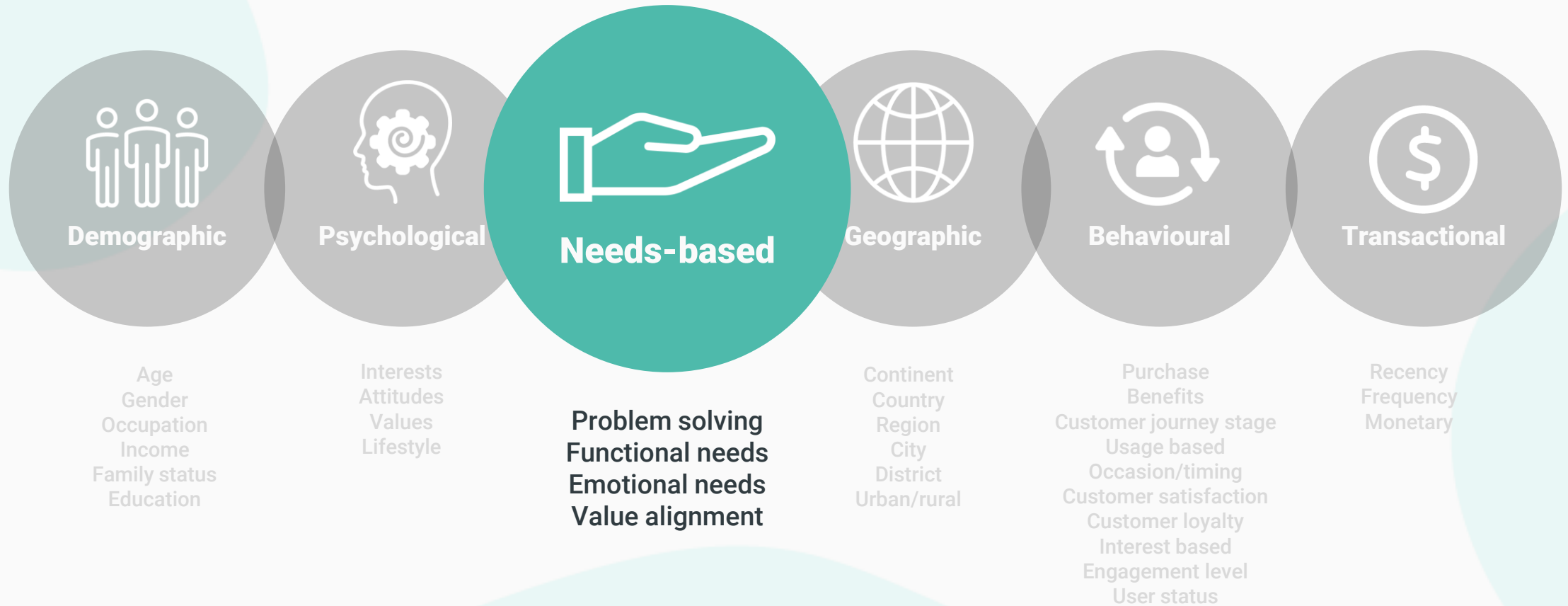Frequency
Monetary

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Risk of relying on Demographic & Geographic segmentation only

- age: 73
- raised in UK
- married
- 2 children
- lives in a castle
- wealthy and famous

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Only one is suitable for Product Development and Price setting

Demographic

Age
Gender
Occupation
Income
Family status
Education

Psychological

Interests
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Needs-based

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Rapid Customer Segmentation in 4 quick Steps

Step 1: Customer Preferences captured in Conjoint/MaxDiff study

Mobile phone	OnePlus 6	5.6
	Huawei P30 Pro	9.9
	Samsung S10+	17.9
	iPhone XS	19.4
Display size	5.8	9.2
	6.24	9.9
	6.7	9.9
	6.5	10.3
Camera (megapixels)	12Mp	9.9
	16Mp	10.6
	40Mp	12.3
Battery life (hrs:mins)	09:41	8.4
	11.16	9.1
	10.33	9.4
	14:13	9.9
Memory (RAM) / Internal Storage (ROM)	8GB RAM / 128GB ROM	7.9
	8GB RAM / 256GB ROM	9.5
	12GB RAM / 128GB ROM	9.9
	8GB RAM / 512GB ROM	12.5
Network locked?	Locked	8.2
	Unlocked	9.9
Full water protection	No	9.9
	Yes	10.2
Price	£699	15.5
	£799	13.4
	£899	11.6
	£999	9.9

Step 2: Market segmentation by Preferences or Needs

What?
Cluster 1 Early adopters
Cluster 2 Safety minded
Cluster 3 Selfie addicts
Cluster 4 Bigger is better
Cluster 5 Media junkies

Step 3: Demo, Geo, Psycho, Behavioural, Transactional

Who?
65% Male, 80% urban
72% Female Eco friendly
75% Female Online only
73% Male Sports addicts
80% Male Heavy gamers

Step 4: Price sensitivity & Willingness to Pay

How much?
PED -0.25 WTP €15.68
PED -0.35 WTP €14.92
PED -0.55 WTP €13.83
PED -0.62 WTP €13.04
PED -0.75 WTP €11.97

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WHY? The best price segmentation happens inside market segments!

CASE STUDY

Dog Food Segmentation in UK

Objective: Identify if product versions exist
that can generate incremental revenue/profit

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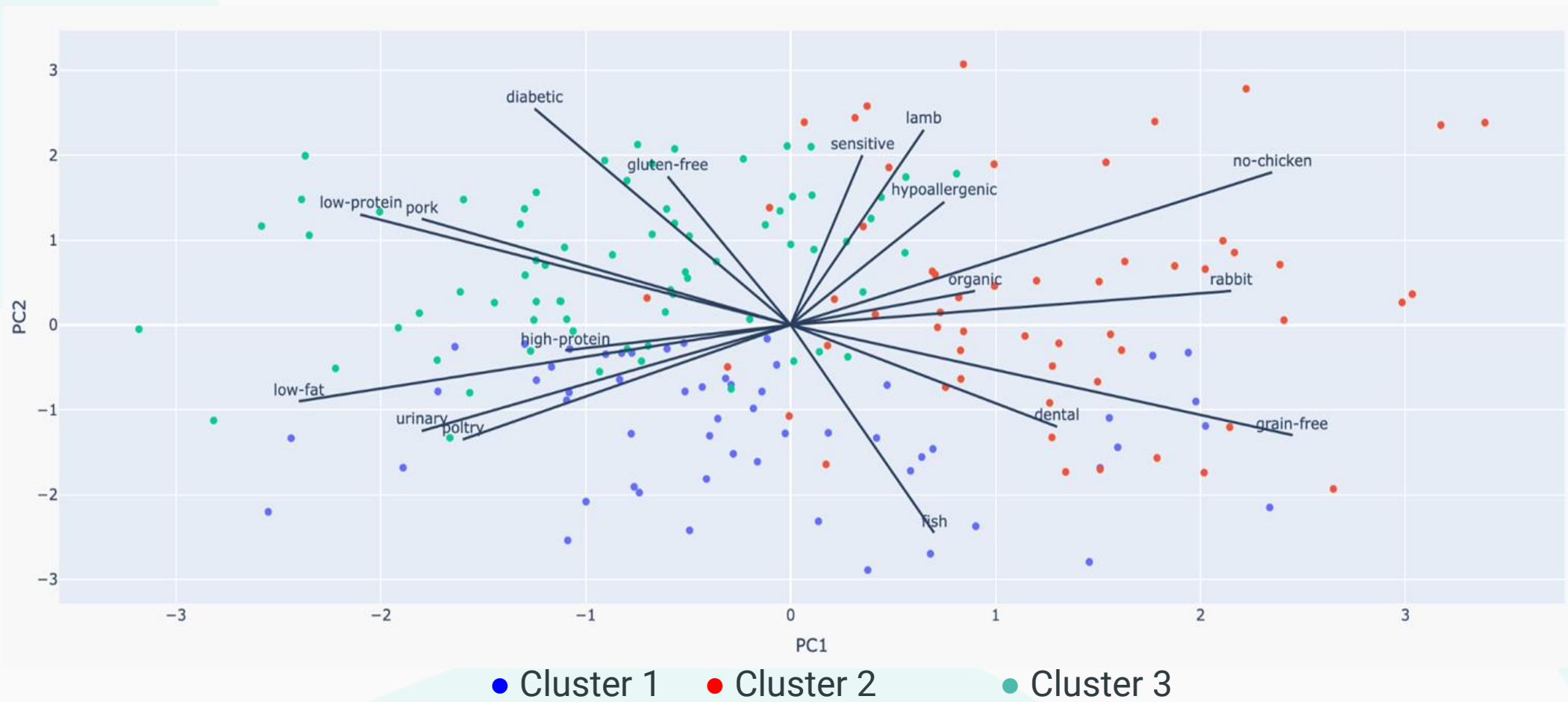# Cluster Analysis performed automatically

● Cluster 1   ● Cluster 2   ● Cluster 3

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What do they want?
Products automatically created based on Customer Needs

	dental	diabetic	fish	gluten-free	grain-free	high-protein	hypoallergenic	lamb	low-fat	low-protein	no-chicken	organic	poltry	pork	rabbit	sensitive	urinary
Cluster 1	-0.2	-0.45	-0.83	-0.07	-0.16	0.08	-0.39	-0.37	0.22	0.25	-0.37	-0.08	0.19	0.42	-0.63	-0.41	0.24
Cluster 2	-0.1	-0.34	-1.3	1.13	-0.04	-0.09	0.45	0.24	-0.16	-0.33	0.56	0.16	-0.69	-0.47	0.28	0.35	-0.75
Cluster 3	0.4	-1.53	0.62	-0.35	0.27	0.19	-0.58	-0.36	-0.01	-0.35	-0.2	0.09	-0.33	-0.68	0.09	-0.71	-0.6

● **Product 1:** Fish, dental care

● **Product 2:** Sensitive, gluten free, hypoallergenic, no-chicken

● **Product 3:** Pork/Poultry, low-protein
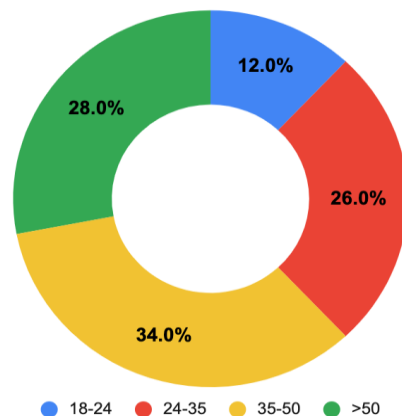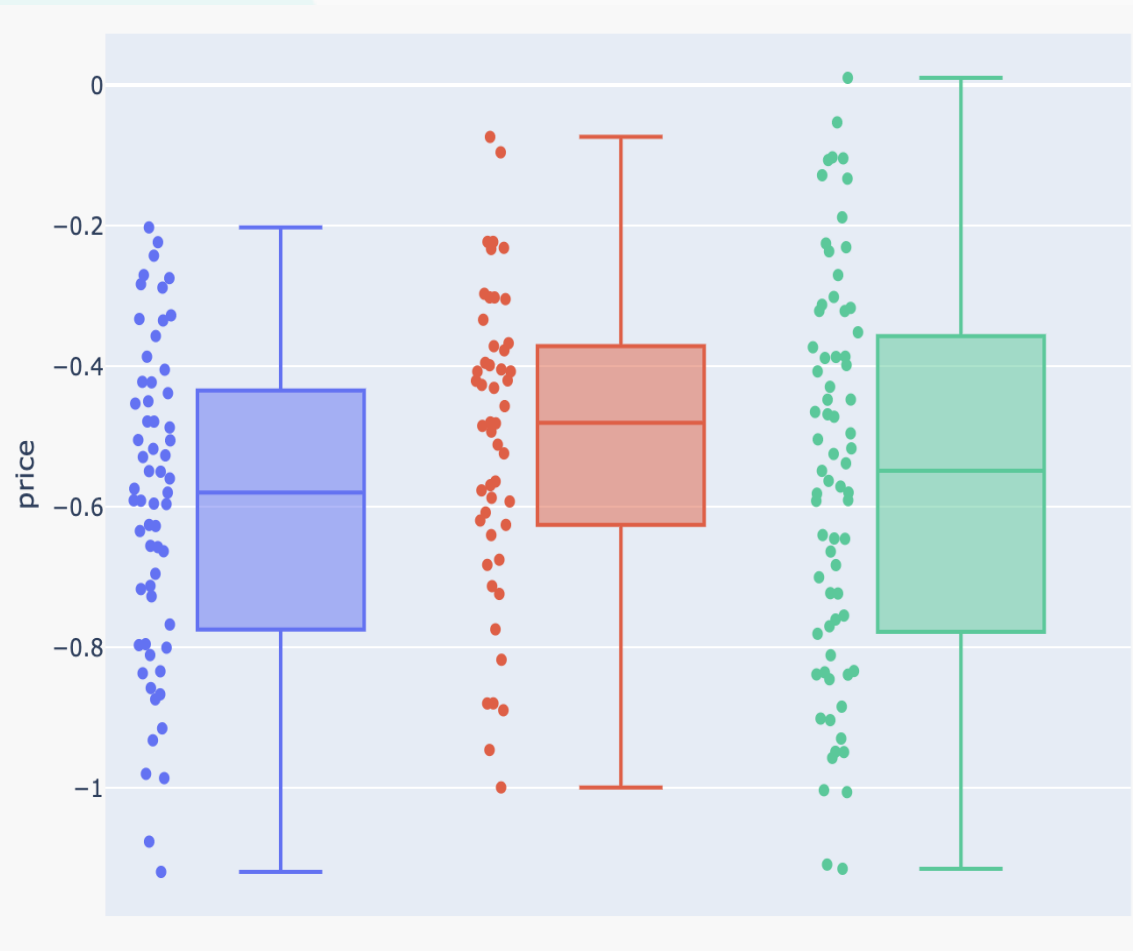
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How much are they Willing to pay?
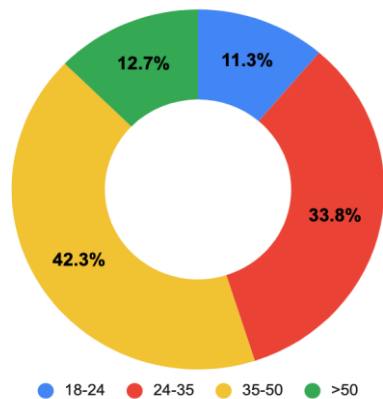
- **Product 1:** Fish, dental care
  Size: 34%
  PED: -0.58
  WTP: £4.55

- **Product 2:** Sensitive, hypoallergenic, no-chicken
  Size: 26%
  PED: -0.48
  WTP: £5.33 (+17.24%)

- **Product 3:** Pork/Poultry, low-protein
  Size: 40%
  PED: -0.55
  WTP: £4.78 (+5.17%)

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Who should conduct Customer Segmentation?

- Companies that don't have a market segmentation... but should!

- Companies that have a market segmentation but its old, out of date, not fit for purpose...needs to be refreshed

- Companies that have a market segmentation but its based on one or more of Demo, Geo, Psycho, Trans, Behavioural segmentations...not fit for purpose for Product Development or Price setting

- Companies that want to validate if their current segmentation strategy is valid and relevant

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