Developments In Business Simulation & Experiential Exercises, Volume 23, 1996

BOOTSTRAP BENEFIT SEGMENTATION: FINALLY, A WAY TO TEACH BENEFIT SEGMENTATION WITHOUT PRIMARY DATA OR THOSE FANCY STATISTICAL METHODS

John A. Schibrowsky, University of Nevada-Las Vegas
James W. Peltier, University of Wisconsin-Whitewater
Robert H. Collins, University of Nevada-Las Vegas

ABSTRACT

This article introduces an experiential learning activity designed to provide business students with an understanding of benefit segmentation, product positioning and target markets. This "bootstrap benefit segmentation" method can be taught without the need for primary data. It makes benefit segmentation available as a short-term experiential activity.

INTRODUCTION

The purpose of this article is to discuss a benefit segmentation experiential learning activity that has proven quite successful in enhancing students' understanding of segmentation, product positioning, and target markets. This approach does not require the use of primary data or those fancy statistical analysis tools often associated with benefit segmentation. Moreover, this activity can be done in one or two class meetings or as an outside of class assignment.

BENEFIT SEGMENTATION STEPS

The steps presented below have a proven track record in both classroom activities and in consulting projects. They are the result of numerous segmentation projects in product categories ranging from breakfast cereals to leasing a parking lot at an event center. Through all these projects, the process has proven to be extremely adaptable.

STEP 1:   **Define the Product Category.**

First, the product category must be defined. This establishes the boundary of products and customers that will be considered in the analysis.

STEP 2:   **Examine the Focal Behavior That Prompts the Usage of the Product.**

This step attempts to answer the question, "Why do consumers buy this product?" Students must identify who purchases and uses the product, when the product is used, how often is it used, how is it used, and why is it used. Do not let the students rush through this step. A little extra effort during this stage can add insight during later steps.

STEP 3:   **Identify the Benefits Sought by Consumers.**

The next step is to identify the benefits sought by consumers. The key at this stage is to stay focused on benefits sought rather than product attributes offered. Once the benefits have been identified, they must be classified as qualifying or determining benefits (McCarthy and Perreault 1990, p. 79). A qualifying benefit is one that creates a reason for the consumer to buy in the product category. These benefits are requisite for a brand to be considered for purchase. Brands that fail to provide these benefits will not be considered by consumers.

A determining benefit is one that establishes a reason for a consumer to buy a specific brand. Some benefits are both qualifying and determining. While qualifying benefits are requirements needed to become a viable alternative in the product class, determining benefits are the focus for benefit segmentation, since they constitute the brands selected by consumers.

STEP 4:   **Construct and Label the Segment Bundles**.

Next, the determining benefits are combined into benefit bundles. This is the key activity in the benefit segmentation process. In some cases, a single benefit is important enough to consumers to result in its own benefit segment. In other instances, two or more benefits are combined to constitute a benefit segment. This part of the process takes persistence. It is seldom accomplished in a single attempt. The following approach is a starting point. First, list the determining benefits from step three. Next, have the students attempt to identify single benefits that are important enough to individually comprise a segment. Ask the question, "Is this benefit important enough to consumers such that it is the primary benefit sought by a substantial number of consumers?"

After single benefits are exhausted, combinations of two or more benefits are investigated to see if they can be linked to form logical/feasible benefit combinations. Some attributes cannot logically be combined, while others cannot be separated. For ex ample, alertness and relaxing do not logically fit together, but taste and aroma are impossible to separate.

Once the benefit bundles are formed, they must be labeled. The names should depict the important benefits of the segment. Good names help these consumer groupings come to life (Greenberg and Mcdonald 1989), bad names impede the process.

STEP 5:   **Check for Miss-specifications.**

Once the proposed segments are formed, there are a number of ways to assess the degree to which the proposed segments accurately portray the

market structure as defined by the current brands. When primary data is available, it is used to provide evidence that the proposed segments provide an accurate representation of market demand. When using the "bootstrap benefit segmentation" approach, there are a number of indicators that can be employed to evaluate the proposed segments when the actual information is not available. To perform this analysis, the existing brands are positioned toward the proposed segments. This is accomplished by comparing the products' features and the segments' benefits sought. When finished, the results are analyzed in an attempt to identify possible miss-specifications. The first step is to identify brand(s) that do not match up with any of the proposed segments. This suggests that some market segments might have been overlooked.

The next step is to compare the marketing mixes of the brands that are positioned toward each segment. Brands that are positioned towards the same segment are in direct competition and are satisfying the same wants and needs. They should have similar marketing mixes. These brands should possess coinciding features and attributes. Their prices should be comparable. They should be distributed the same way and should end up in the same locations. The promotional strategies should be similar in terms of target audience and message. Large discrepancies in any of these marketing mix elements signal possible miss-specifications and should be scrutinized.

When miss-specifications are identified, the student should go back through steps 1-4 to spot problems and make changes in the segmentation bundles to better fit the available brand information. The process must be repeated until the student feels confident that the proposed segmentation bundles capture the difference in wants and needs across the potential consumers of the product category.

STEP 6: **Describe the Segments in Terms of Demographics.**

Next, the segments must be described in terms of demographics, socio-economic variables, and other pertinent variables. With no primary data available, the "bootstrap approach" must employed. One approach is to use a secondary source of information such as Simmons Market Research Bureau or MRI. Many university libraries have older versions of these reports. The data on the leading brands in the segment can be used as surrogate for whole segment.

STEP 7: **Evaluate the Segments.**

The segments should be evaluated to determine satisfaction levels and segment size. If the members of the segment are happy with the current set of product offerings, they are not likely to switch to new offers and would not be a good target for a new product offering. Since primary data is not available, secondary information must be used to evaluation satisfaction. Some key signals of dissatisfaction include: brand switching, instable brand shares, and new products positioned toward the segment.

In addition, segment size must be estimated. Since the segments have been developed using the benefits sought, there is no direct way to determine the size of each segment. A "bootstrap approach" must be utilized. One way to obtain an estimate of the size of a segment is to use the sales levels of the brands positioned toward each segment as a surrogate measure of the size of the segment. These sales figures are available from a number of sources including: Advertising Age, the Census of Retail Trade, Survey of Buying Power, Simmons Media/Marketing Service, Nielsen Retail Index, Selling Areas Marketing Inc., trade journals, and trade associations. It might take some detective work, but the numbers are nearly always available and it helps students to become competent business researchers.

STEP 8: **Identify target markets.**

When employing a benefits sought approach to segmentation target markets must be identified. Target markets are described using demographics and psychographics, since they are the bases for media purchases. The approach is straightforward. Target markets should be selected based on the likelihood that the targeted group contains a high proportion of the individuals from the desired segment. This is accomplished by matching up the demographic descriptions of the segments with reachable target markets. The higher the proportion of individuals from the desired segment, the more efficient and effective the targeting effort will be.

CONCLUSIONS

The "bootstrap benefit segmentation" approach alleviates many of the problems associated with teaching the traditional data driven benefit segmentation approach. First, this approach is relatively easy to teach. The idea of individuals being divided into groups based on their benefits sought is intuitively appealing. Second, the activity can be completed quickly. If the secondary data is distributed in class, the task can be completed in one or two days.

REFERENCES

Greenberg, Marshall, and Susan Schwartz McDonald (1989), "Successful Needs/Benefits Segmentation: A Users Guide," Journal of Consumer Marketing, 6 (Summer), 29-36.

McCarthy, E. Jerome and william D. Perreault, Jr. (1990) Basic marketing: A Managerial Approach, 10th ed., Homewood IL: Richard D. Irwin, Inc.