

Finding the ideal customer

Key Points

- Our new approach to market segmentation relies on cluster analysis. This extracts important insights from association tests to reveal how different types of customers relate to a product.
- Mindlab uses personality and lifestyle data to produce detailed pen portraits of the different groups of customers identified by cluster analysis.
- This unique approach helps identify who has the most positive and negative perceptions of a product, helping businesses make the right decision with their marketing strategy.

Mindlab has developed a unique approach to market segmentation, based on implicit associations.

Identifying a product’s ideal customer helps businesses direct their marketing to the people most willing to make a purchase. Mindlab’s new segmentation methodology helps companies detect the consumers who are most willing to make a purchase. To validate this, Mindlab ran a pilot study to explore different customer clusters which could be uncovered from a series of implicit customer perception tasks, personality measures and lifestyle questions. The product used to do this was a fictitious chewing gum product – Nata.

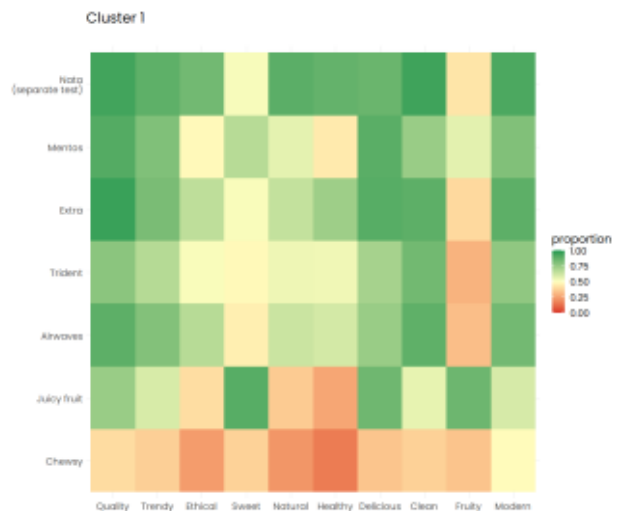
Nata - a new brand of chewing gum

Nata was presented to participants as having a “vibrant, minty taste” with the “same texture and feel as ordinary chewing gum”. This gum, however, was also “fully biodegradable” and “sugar-free, sweetened with natural xylitol – which helps to keep teeth and gums more healthy”. Nata was also a “sustainably sourced” and “vegan” product that was both “low carb and delicious”.

The product association test

Mindlab’s association tests identify which concepts people most strongly associate with a given product. Participants must quickly determine whether or not they feel an association word is a ‘good fit’ with a given product or not. By responding at speed, participants draw on their implicit perceptions to make a decision.

By grouping participants according to how similar their associations are, we were able to identify four clusters or market segments. For example, cluster 1 (shown below) was mostly positive about most brands of chewing gum, but very negative about Chewys.



This graph represent results from the association test for one of the clusters. Green squares reflect a positive association; red is negative;

Insights

- Our unique clustering methodology gives detailed insights into customer perceptions of a product which can be further broken down by demographic, personality and lifestyle measures.
- **Personality traits** – We determined how each cluster compares on important personality traits. This pilot study found that **Determined environmentalists** were the least agreeable of the clusters.
- **Name recall** – This measure tested the ability of participants to recall the name of brands. In this pilot, **local innovators** recall Nata the most (51%).
- **Preferred information source** – Mindlab measured which sources participants use to get information products. **Determined environmentalists** were the most frequent users of social media (25%).
- **Age distribution** – There were differences in the age structure of each cluster. For example, **educated optimists** skewed towards being older (>40).
- **Employment status** – Clusters also exhibited different patterns of employment. The largest amount of full-time employment was with **determined environmentalists**, whilst **local innovators** exhibit the greatest proportion of unemployed people.

How we produced the clusters

We used a statistical technique known as a Gaussian mixture model to uncover the clusters that existed in the data.

Whilst customer clustering is usually done on the basis of demographic data like age or gender, we took a unique approach by clustering on the basis of participant's implicit associations with Nata.

The clusters

- Cluster 1: **Local Innovators (LI)**
- Cluster 2: **Educated Optimists (EO)**
- Cluster 3: **Determined Environmentalists (DE)**
- Cluster 4: **Hardworking Netizens (HN)**

Using demographic and personality data from the clusters, we constructed prototypical members from each:

E.g. David the **Hardworking Netizen**

- *David is not generally a fan of chewing gum but he thinks Nata is different and is willing to give it a try. He is in his early twenties and shares a flat in the city centre with a couple of friends. He works from home a lot, and loves technology. He is an avid user of social media and is likely to try Nata if it has good online reviews.*

Example of results – Price test



Clustering allowed us to see how different types of customers relate to the product. For example, there are significant differences in how much each cluster would be prepared to pay for the new product, with Cluster 2 being prepared to pay £1.29 and Cluster 4 only 89 pence.

Conclusions

This study provides an example of how Mindlab's clustering analysis can help to add extra detail about customers beyond sample-wide, aggregate demographic data. We can identify who has the most positive and negative associations with a given product, and this can serve as the basis for detailed personas and segmentation.

