



KNOWLEDGE 360°

One Size Doesn't Fit All: How a Segmentation Approach Can Help Guide CE Product Strategy

CONFERENCE PROGRAM

SESSIONS COVERING EVERY ANGLE OF THE CE INDUSTRY





Presenters

Joe Bates

Director of Research



Gina Woodall

Vice President





- **More than 2,100 members**
- **Top 20 Trade Association**
- **Represents entire range of consumer technologies**
- **More than \$140 billion in annual U.S. sales**
- **CEA Market Research**
 - **250+ consumer research studies**
 - **MARA sales data and forecasting program**
 - **Research Library / Economic Insights**





THIEL



KENWOOD

SONY



Panasonic

invent



CEA

Consumer Electronics Association



TOSHIBA



CASIO

Pioneer
sound. vision. soul



SANYO



SHARP





eBrain Market Research

- eBrain is a full service market research company providing primary research services to the Consumer Electronics (CE) industry
 - Founded in 1998 from the Market Research department of CEA
- eBrain conducts qualitative, quantitative, and online research on behalf of individual CE companies
 - Specializing in branding, product development & concept testing, customer satisfaction and retention, segmentation, pricing, and global research
- Contact us:
 - Gina Woodall, VP, ginaw@ebrain.com, 703.757.5213 ext. 11
 - Visit us at www.ebrain.com to learn more





Agenda

- What is Market Segmentation?
- Effective Segmentation Methods
- Usage of Segmentation in Consumer Electronics
- The Future of Segmentation





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What is Market Segmentation?

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Market Segmentation is...

- “... the basic recognition that every market is made up of distinguishable segments of buyers with different needs, buying styles, and responses to offers...”
 - Philip Kotler, marketing guru





Common Ways of Segmenting a Market

Consumer Segmentation:

- Demographics (e.g., lifecycle, gender, affluence)
- Psychographics – attitudes about the category
- Level of purchase consumption or usage (e.g., heavy gamers)
- Benefits sought
- Loyalty to the brand
- Early adopters versus later adopters

B2B Segmentation:

- Firmographics (e.g., industry, size)
- Channel position (e.g., manufacturers, distributors, retailers)
- Business priorities
- Business goals related to product
- Success in achieving goals
- Loyalty and purchase behavior



Demographic Segmentation

	Men	Women	Innovator/ Early Adopter	Early Mass Adopter	Late Mass Adopter	Late Adopter
Camcorder, non digital	32%	30%	41%	31%	29%	18%
Digital camcorder	17%	18%	33%	19%	10%	7%
Film camera	54%	56%	59%	55%	61%	44%
Digital camera	69%	68%	84%	73%	61%	47%
Cell phone	82%	87%	94%	88%	82%	72%
PDA	15%	14%	25%	17%	8%	3%
Color laser printer	14%	20%	23%	19%	15%	10%
Color inkjet or bubble printer	72%	68%	72%	70%	72%	63%
B&W printer	20%	19%	26%	17%	19%	17%

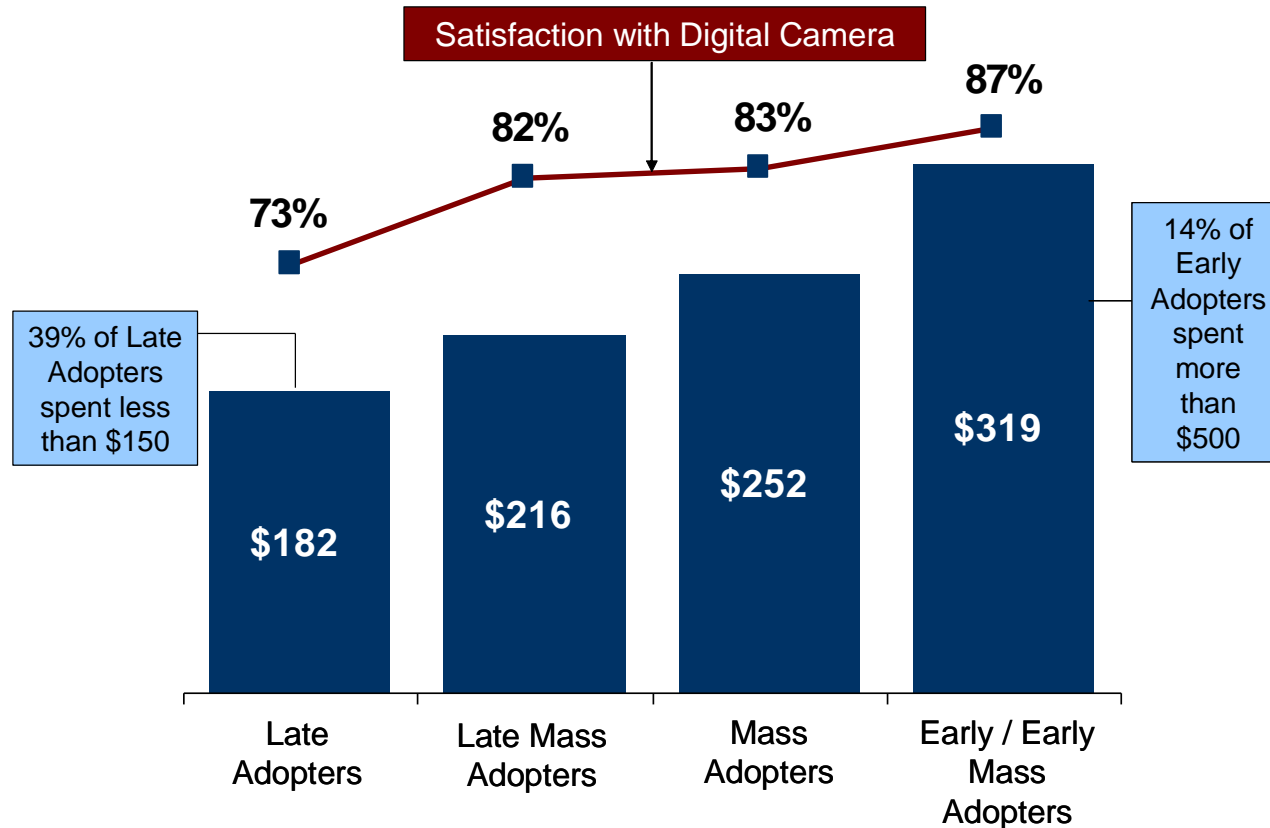
“Few differences exist when profiling the digital imaging market based on gender. Men and women purchase and use technology at roughly the same rates. Notable ownership differences emerge when viewing the data through the more telling technology adoption segmentation lens. For digital cameras the most striking figure is the percentage of late adopters (47%) that own the product. This further confirms the digital camera product category’s mass market status.”

- *Digital Imaging Study Update: Sharing and Storing Photos and Video II, Sept. 2006*



Demographic Segmentation

Average Amount Spent on Most Recent Digital Camera Purchase





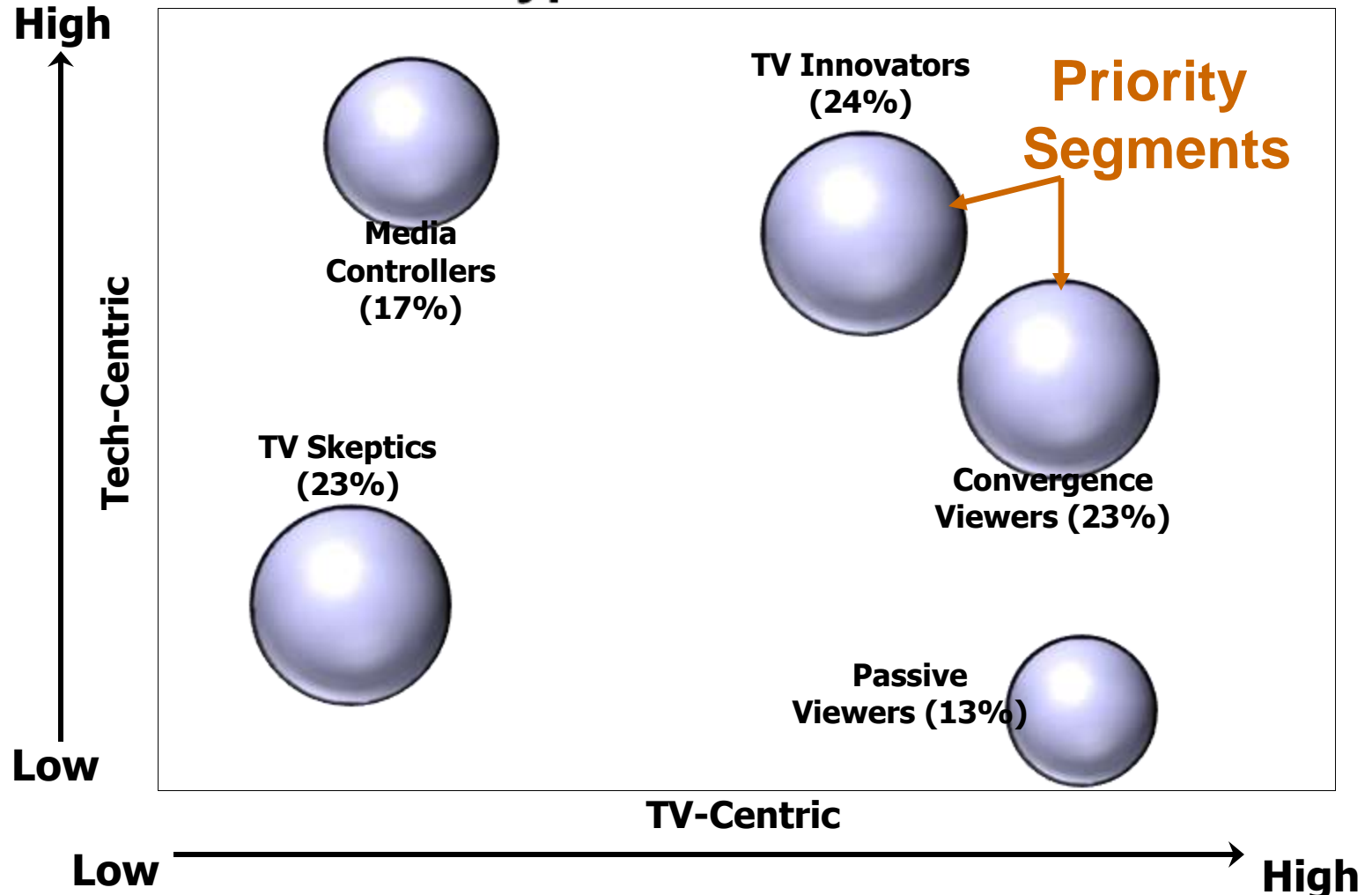
Case Study: Television Viewers

Q: Who are the most innovative television viewers to target in new product development and marketing efforts?

- eBrain conducted a telephone survey of adult television viewers and asked questions about their attitudes toward watching television and new technology
- A segmentation analysis was conducted that resulted in 5 unique segments of television viewers



Case Study: Television Viewers 5 TV-Types in the Adult Audience





Case Study: Television Viewers

The Result: The client targeted TV Innovators and Convergence Viewers in new product development and marketing strategies

- TV Innovators were targeted for new programming ideas and technologies to enhance the viewing experience
- Convergence Viewers are an important target for driving ratings, as they are the heaviest viewers
 - They are good targets for tie-ins to other technologies, like web sites with entertainment and info
 - Good targets for cross-selling Internet access and telephony





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Effective Segmentation Methods

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Elements of a Useful Segmentation

1. Different degrees of value as targets
(e.g., usage level, \$ spending)

Implication:
Drives targeting priorities

2. Different needs, motives, decision processes, mindsets

Implication:
Tailored strategy

3. Identifiable
(e.g., different demographics, media habits)

Implication:
Able to reach the segments



Limitations of Different Methods

Segmentation Method:	Strategic Goal		
	Setting Priorities	Tailoring Strategy	Identifying & Targeting
Database	Good	Poor	Good
Geo-demographic	Average	Poor	Good
Survey-based	Good	Good	Average





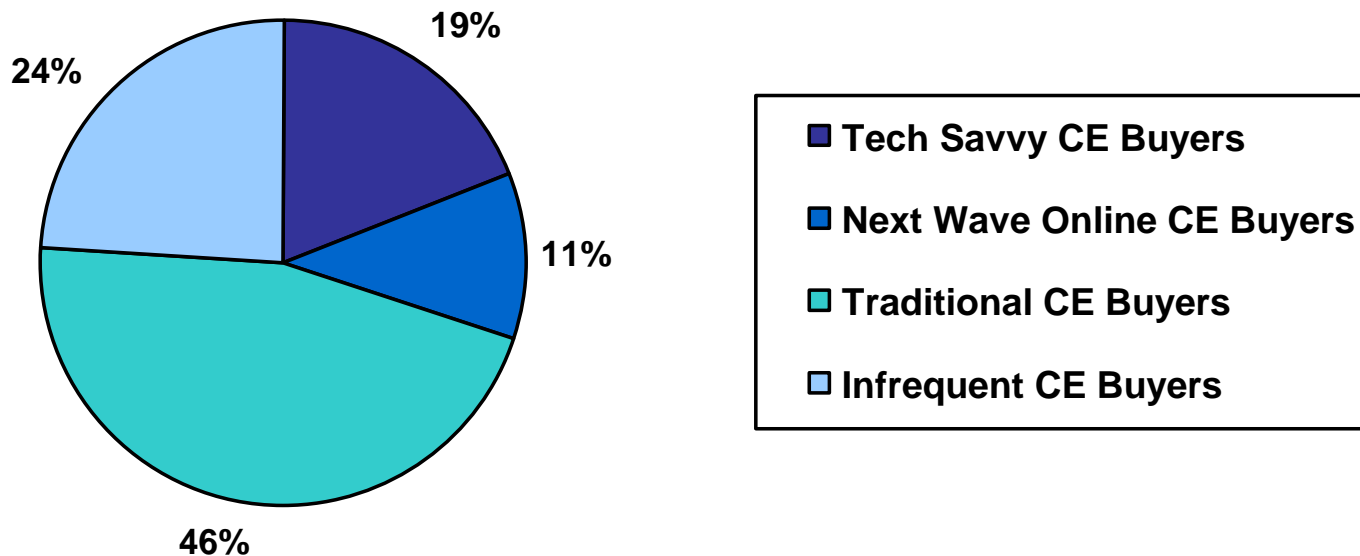
Survey-based Segmentation Step-by-Step

- Survey-based segmentation studies usually begin with a qualitative phase, such as focus groups with the target audience, to develop a list of attitudes and needs
- A questionnaire is developed using the list as input
- Survey is completed by the target audience online, by telephone, or through the mail
- Data is analyzed using statistical software to develop the segments
 - Traditionally, this is done using “clustering” techniques
 - More rigorous tools, such as Principle Components Analysis (PCA) and Latent Class models, provide more distinctive segments



Cluster Analysis of Retail CE Buyers

Figure 9: Four CE Retail Buyer Segments

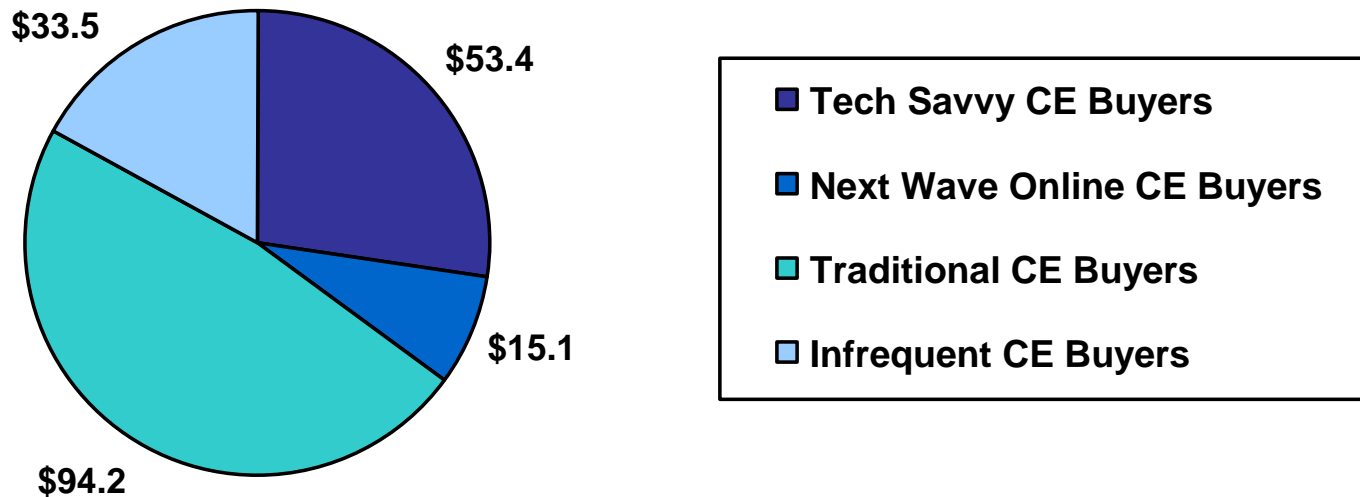


- *Demographics of Online vs. In-Person CE Retailing*, February 2005



Cluster Analysis of Retail CE Buyers

Figure 10: Total CE Retail Spending By Segment
 - Dollars (in billions) In 2004 -



- Demographics of Online vs. In-Person CE Retailing, February 2005





Cluster Analysis of Retail CE Buyers

- *Demographics of Online vs. In-Person CE Retailing*, February 2005

The Tech Savvy CE Buyers:

- Spends an average of \$1,290 per year on CE products.
- Owns more CE devices than any other segment.
- Buys a lot of CE product online; 28% of their yearly CE spending is done online.
- Spend 3.5 hours researching each CE product purchase.
- Will continue to buy CE product online in the future, and probably increase the amount of their total spend online.
- Demographically:
 - More likely to be male than other segments (60% male – 40% female)
 - Younger on average than all other segments
 - Highest average HH income of all segments at \$61,500
 - Twice as likely to have kids under age 18 in the house than Next Wave and Infrequent CE Buyers
 - Much more likely to have at least a college education than other segments





Cluster Analysis of Retail CE Buyers

- *Demographics of Online vs. In-Person CE Retailing*, February 2005

The Next Wave Online CE Buyers:

- Spends an average of \$630 per year on CE products
- Buys little CE product online; 3% of their yearly CE spending is done online.
- Spend 3.7 hours researching each product purchase.
- Is very, very open to buying more CE product online in the future.
- Demographically:
 - Male / female split is about average (52% male – 48% female)
 - Have a higher proportion of retirees than other segments (30% are retired)
 - Average HH income is \$51,000
 - Only one-fourth have children living in the household
 - Have a higher proportion of African Americans than other segments (19%)





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Usage of Segmentation in CE

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How Can Segmentation Be Used in a CE Business?

- Target individual customers with products and marketing messages
- Identify new markets for CE products
- Understand the market for a new product concept and how to approach them





Case Study: Wireless Communications

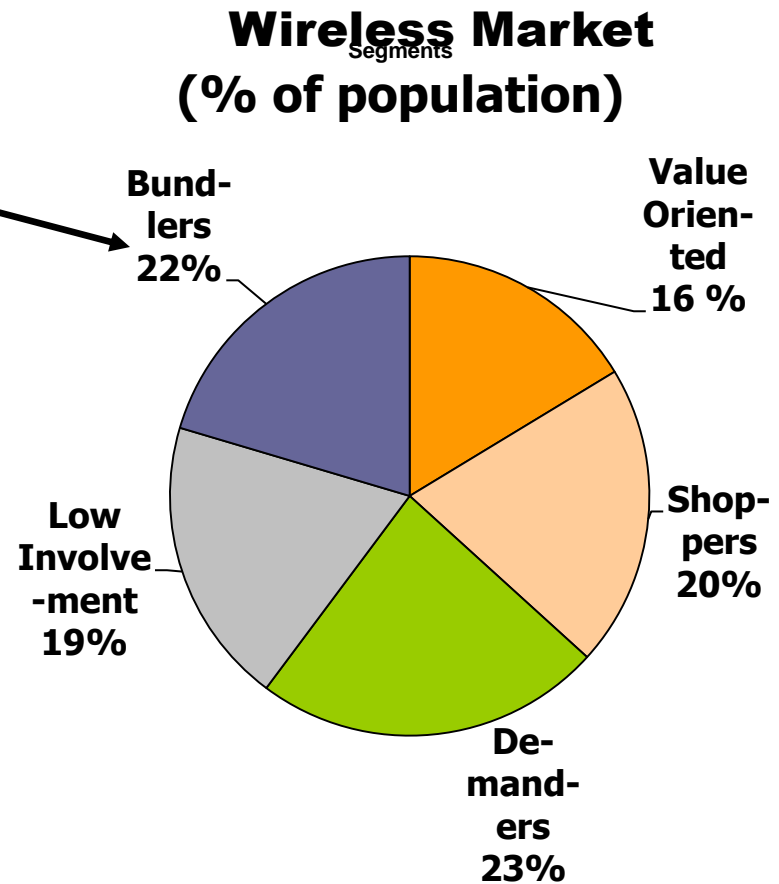
Q: How can we guide our sales reps to offer products to customers that better fit their individual needs?

- A segmentation study was conducted to identify unique groups of customers with similar wants and needs from wireless communications products
- The segmentation was based on consumers' views about communications services and expectations from their provider



Case Study: Wireless Communications

- Highest spending segment is “bundlers” – they spend 5 times as much as any other segment on communications products
 - Products and messages should focus on “control,” stability and bundled services options





Case Study: Wireless Communications

The Result: The client used the segmentation algorithm in their call centers to help direct customer reps to offer appropriate products and services to customers based on their segment membership

- By “scoring” a database, we can identify segment membership with 89% accuracy for telemarketing, direct mail, tailored statements, and online advertising
- We can predict segment membership with 46% accuracy using only elements in client database, such as: \$ spent, services used, zipcode





Case Study: Five Technology Consumers to Watch

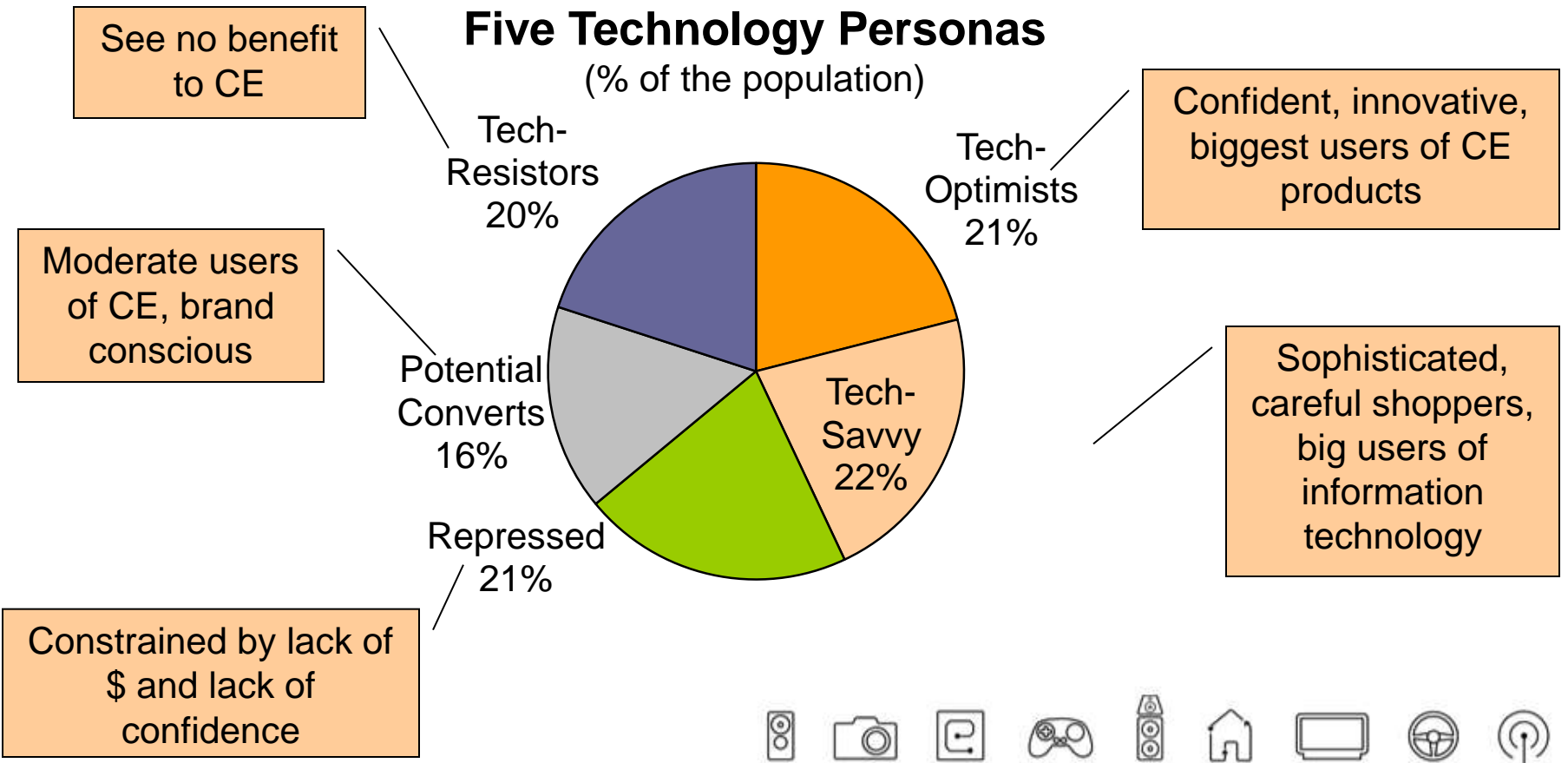
Q: Are there emerging technology markets that the CE industry should target in their marketing strategies?

- The study focused on 5 separate populations:
 - Women
 - Seniors
 - African Americans
 - Hispanics (Spanish Language)
 - Teens
- The segmentation was based on their technology behaviors, attitudes and purchase decision factors
- Full results of “Five Technology Consumers to Watch” are available from CEA



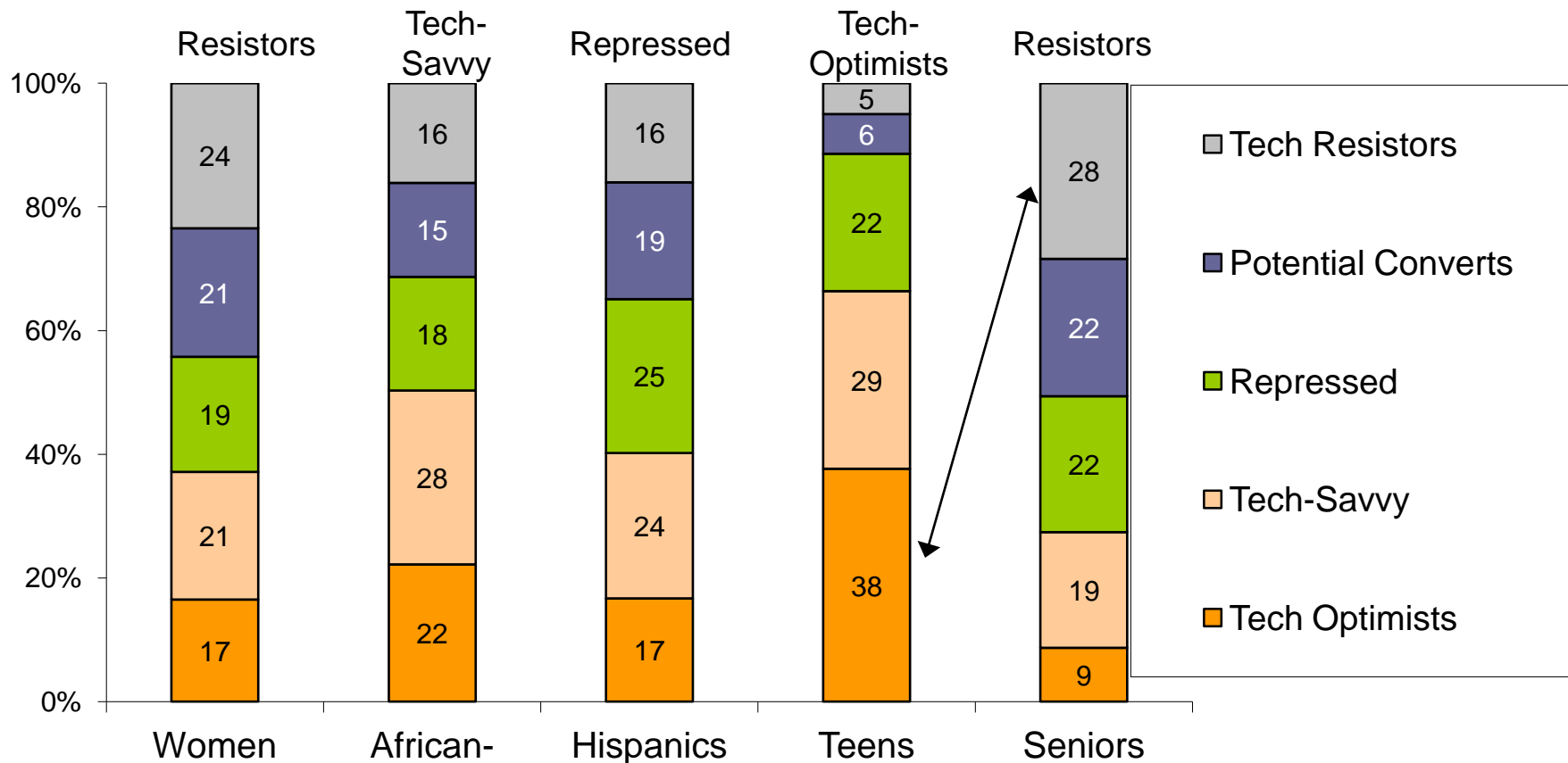
Case Study: Five Technology Consumers to Watch

Five Technology Personas (% of the population)



Case Study: Five Technology Consumers to Watch

Most Common Segment





Case Study:

Five Technology Consumers to Watch

The Result: CE companies are targeting African Americans, Hispanics and Teens in marketing efforts

- African Americans – Marketers should advertise their product warranties and brand name to attract this group of careful shoppers
- Hispanics – Marketers need to support this group and build their confidence through Spanish-language advertising, packaging, and instructions
- Teens – Marketing messages should focus on status and innovation





Case Study: Television Technology Innovation

Q: What is the optimal positioning and communications strategy for my new CE product?

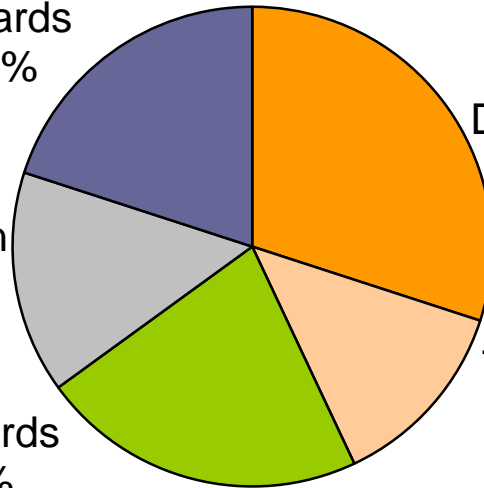
- A consumer segmentation, including profiles of likely buyers, and drivers of and obstacles to adoption were included in the survey
- Segmentation was based on:
 - Attitudes towards television and technology
 - Perceived benefits of the new product
 - Evaluation of motivational statements about the new product



Case Study: Television Technology Innovation

Segments

(% of the population)



Moderate Interest:
 More into technology than TV

HIGH Interest:
 Want to stay connected and in control

Low Interest:
 Not interested in technology at all

Moderate Interest:
 Want TV always available to them

HIGH Interest:
 Want TV to stay informed





Case Study:

Television Technology Innovation

The Result: The CE company targeted its positioning and communications strategy towards Traveling Netizens and Information Addicts

- The segmentation provided a list of salient product benefits and motivational themes to stress to these groups
- It also provided information on how to target these groups demographically and behaviorally





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The Future of Segmentation

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What is the Future of Segmentation?

- Survey-based segmentation that has all the information to truly understand the customer and craft an effective strategy while also being linked to a marketing vehicle, such as a customer database or commercial list
- Segmentation will become a part of more CE market analyses and used to “differentiate” product feature bundling and communications
- Segmentation may also become a way to address consumers’ desire for personalization

