



Mastering audience segmentation

How to apply segmentation techniques to improve internal communication



Executive Summary

- How segmentation is used externally
- Segmentation in internal communication: an overview
- Methods of segmentation
- The impact of a changing work environment
- New technologies

Introduction

In this executive summary, you'll find highlights of Melcrum's comprehensive report, *Mastering audience segmentation*. This report is a result of six months of benchmarking research. During this time we interviewed communication experts and practitioners around the world. To find out how to purchase the full report with an exclusive 15% discount, see the order form at the back, call +44 (0)20 8600 4670 or 1-866-MELCRUM, or e-mail info@melcrum.com

Audience segmentation is high on the agenda for many communicators with 58% of communicators saying that it's a higher priority for them than it was 18 months ago (source: Audience Segmentation Survey, Melcrum Publishing 2006). The sheer volume of information available to employees is so overwhelming that communicators need to become more effective at targeting communications and sifting out the "need to know" from the "nice to know," or even the "actually, this is not relevant to you at all."

Mastering audience segmentation, the new research study from Melcrum, gives you a "behind-the-scenes" look at how best-in-class organizations approach and use segmentation to communicate with their internal stakeholders and engage them with the company. You'll learn how other disciplines use segmentation and how it's used by internal communicators. Plus, find out how advances in technology are opening up new ways to target communication to stakeholders and allow people to make their own choices about the information they access.

To produce this report, Melcrum surveyed 1,149 communication and HR professionals worldwide in July 2006 to discover common approaches, successes and obstacles around audience segmentation.

This executive summary gives you an overview of what you'll find in the report's five chapters:

1. How segmentation is used externally
2. Segmentation in internal communication: an overview
3. Methods of segmentation
4. The impact of a changing work environment
5. New technologies

Mastering audience segmentation brings you:

- **Tried-and-tested techniques** for successful segmentation that you can immediately implement.
- **Exclusive case studies** - benchmark against best-in-class companies. Learn from the experiences of **AstraZeneca, Avaya, Intel, Tesco, Vodafone, Dow Corning, Mayo Clinic, The Royal Bank of Scotland Group, Lloyds TSB, Royal & SunAlliance, The Royal Shakespeare Company** and many others.
- **Tools and models** to help you segment your audiences and measure the results.
- **Expert analysis** from thought leaders such as **Angela Sinickas, Shel Holtz** and **Carol Kinsey Goman**.
- **Statistics and top tips** on how to segment effectively and when to stop segmenting.
- **Practical ways** to segment your audience and communicate with them.
- **Advisory articles and best-practice methods** on how to use segmentation.

**Looking to improve your communications using segmentation?
Mastering audience segmentation gives you the tools to make a difference.**

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Case study organizations from the full report

The Royal Shakespeare Company	Lloyds TSB
AstraZeneca	Royal Bank of Scotland Group
Intel	Avaya
Royal & SunAlliance	Mayo Clinic
US Travel Company	Vodafone UK
Dow Corning	Tesco

Thought leaders

Sue Heal	Alexandra Jones	Tamara Erickson	Indi Young
Catherine Needham	Daniel Tse	Nick Briggs	Joel Grossman
Alison Davis	Jeremy Phillips-Powell	Diane Gayeski	Shel Holtz
Angela Sinickas	Adrian Cropley	Michael Rudnick	Carol Kinsey Goman
Victoria Brown	Susan Walker	Richard Holden	Sally Bridgeland
Sue Solomons	Robert Berrier	Arnie Witchel	

1: How segmentation is used externally

Most of us would probably associate segmentation most strongly with marketing. The very purpose of marketing is to understand customer needs and develop propositions that appeal to them, so that those customers build brand loyalty, buy more products and the company makes more profit. For this reason, marketing as a discipline has a long history of using segmentation. The techniques used have changed and become increasingly sophisticated as marketing practitioners learned more about the relative benefits and limitations of the methods available.

We can learn a lot from how segmentation is used in other disciplines and use this experience to inform our approach in internal communication.

“Any company that doesn’t segment its audience is wasting customer time and company resources as it is transmitting the wrong message in the wrong way”

Professor Malcolm McDonald, Cranfield University

Professor Malcolm McDonald: Audience Segmentation and its evolution: why now?

McDonald believes that audience segmentation has come to the forefront now because Western European markets have matured. Whereas in the past it was acceptable to simply create a product and advertise it, today people reject promotional messages, which, McDonald argues, is why the majority of direct mail doesn’t work.

Any company today that doesn’t segment its audience is wasting customer time and company resources as it is transmitting the wrong message in the wrong way.

He adds: “Audience segmentation is the fundamental success factor in world marketing if you listen to what the gurus say.” Companies which segment well include Tesco, 3M and Procter & Gamble, because, McDonald claims, they look at different sectors such as working mothers or retired people – people who have certain need sets, and then find different segments within them. For example, Tesco uses its Clubcard to monitor customer’s purchases, sorts them into behavior groups, and then uses market focus groups to discover the reasons behind their behavior patterns.

WHY DO COMPANIES GET IT WRONG?

“A company’s worst mistake is assuming that they know best,” he says. “The problem today is that customers know more about companies than companies know about their own customers. Today’s consumer is empowered through communication media such as the internet.” McDonald believes that only 15% of companies segment properly, with the majority either generalizing too much, or mistaking sectors – such as high net-worth individuals or chemical companies – for segments.

“In order to accurately segment your audience, you have to define the market in terms of “need sets” by dividing it up into groups of customers who share the same or similar requirements.”

Professor Malcolm McDonald, Cranfield University

EXTRACT

Sue Heal: Eight steps to knowing your audience

Sue Heal, media trainer and national newspaper and magazine journalist, believes that in order to communicate effectively with your segmented audience, you must appeal to the individual reader. “What communicators tend to get wrong is that they don’t look at how people read and how the message is written,” she says. When launching a new piece of communication, Heal will consider certain criteria:

1. Why do people read?

Heal claims that people do not read mainly to obtain information – particularly for internal communications – but because certain articles push emotional buttons, such as amazement, shock or amusement, on an individual basis. As a journalist, Heal’s aim is to build up habituations and encourage readers to keep buying one particular publication.

2. Profile the individual reader

In order to achieve this, Heal says that you must target individual readers, and profile them. “I suggest profiling individuals through practical exercises and examining where they live, who they are married to, how many children they have and what hobbies they have. Activities external to work are particularly important: internal communicators fall into the trap of viewing employees as just people who do a job and nothing else.” Heal argues that to communicate effectively with an employee, you must consider them as a whole person.

3. Remember it isn’t a science

She warns, however, that there is no single “typical” reader of any one publication: “You can’t say there is a typical Guardian reader or a typical Vogue reader, and anyone who doesn’t completely fit this profile won’t be interested in reading the publication.”

4. Don’t try and appeal to everyone

their profile, so you press the right emotional buttons. If you try and appeal to everyone through your writing, your style will be bland, cold, clinical and boring. “It’s neither fish nor fowl,” Heal says. “You fall between the cracks in the center and no one reads it. Ultimately, it won’t make people act in the way you want them to act. This is the same whether it’s media or internal communications.”

> to find out the last 4 steps to knowing your audience, order the full report now.

***Mastering audience segmentation* presents case studies from your peers around the globe, providing you with a “behind-the-scenes” look at what’s working in audience segmentation and the pitfalls to avoid. In this chapter, we focus on the fundamentals of audience segmentation – we look at how other disciplines use segmentation, with a particular focus on marketing and politics. Included is a case study from The Royal Shakespeare Company on how it successfully increased its ticket sales through segmentation and insights from thought leaders including Professor Malcolm McDonald and Sue Heal. You’ll also find invaluable tips and guides including a five-step plan to audience segmentation and the eight steps to knowing your audience.**

2: Segmentation in internal communication: an overview

As businesses become more complex and employees suffer from information overload, segmentation is firmly on the agenda for internal communicators: 75% of respondents to the Melcrum survey segment their audiences and 58% say segmentation is a higher priority for them today than it was 18 months ago (see fig 1).

“58% of internal communicators say segmentation is a higher priority for them today than it was 18 months ago.”



Fig 1. How has your priority towards segmentation changed over the last 18 months?

Of course, internal communicators have always used segmentation, but the focus and investment upon it is now greater as companies are becoming more aware of different audience needs.

The challenges surrounding segmentation

While technology is an enabler for some, not everyone has access to the most sophisticated functionality. One-third (32%) of our survey respondents say their biggest challenges in relation to segmenting audiences revolve around the capability of IT databases. A further 47% have issues with the capability of e-mail and intranets.

Meanwhile, many respondents also have problems with data, with 46% finding it challenging to gain access to good data and 51% struggling to keep it up to date. 33% feel the additional time involved in segmenting an audience is a problem, while 28% have an issue with gaining business buy-in to the concept.

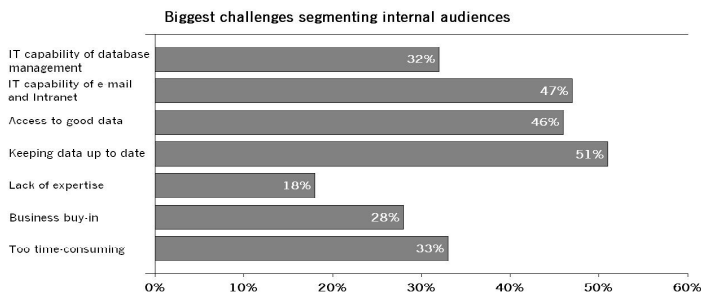


Fig 2: What are the biggest challenges you face in segmenting your internal audiences?

Types of segmentation

Organizations most commonly segment their internal audiences by business division (74%), grade (67%) or location (62%). But as communication functions look to add increased value to the business and stay on top of trends, they are beginning to adopt some of the emerging segmentation strategies like segmenting by employee engagement (see fig 3 below).

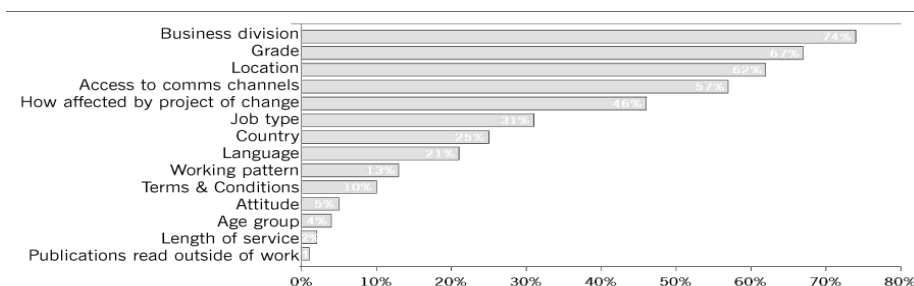


Fig 3: How do you commonly segment your internal audience?

Victoria Brown: Segmenting by engagement level

> In the full report, Victoria Brown from Stromberg Consulting suggests the ten most common ways in which organizations can segment their internal audiences. We share with you below the details of the emerging segmentation strategy consisting in segmenting by engagement levels

Segmenting by engagement level can help to close intellectual and/or emotional gaps that may exist. Questions to determine engagement levels can be embedded within existing employee surveys and will help to identify any prevalent themes and determine engagement levels across different groups.

For example, segmentation at a major accounting firm showed that one of the firm's divisions lacked understanding about how they fitted into the business strategy and therefore required an educational approach in order to increase engagement, whereas another function – which had been obtained through acquisition – did not feel a sense of belonging, pride or connection to the firm, and consequently required a more emotion and involvement-centered approach. See the employee engagement matrix on the right (fig 4).

In order to tailor communications to the two key segments:

(a) Skeptics: Employees with high intellectual connection, but low emotional commitment:

You must ensure your communications emphasize how the initiative and messages benefit them personally, and focus on aspects of your business that will build pride and connect these people with the end-customer to help them see the impact of their work.

(b) Enthusiasts: Employees with high emotional commitment but low intellectual connection:

These employees could benefit from a focus on education, more business context and rationale which will allow them to articulate the value proposition of their company and their role within it clearly and concisely.

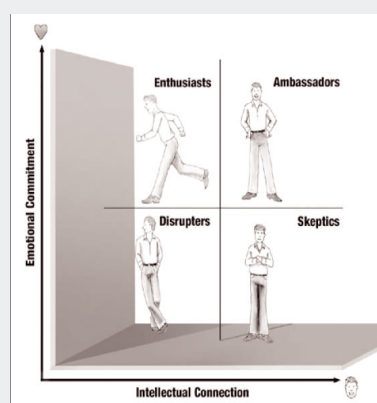


Fig 4: Employee engagement matrix

Discover in this chapter the full results of the Melcrum survey, expert advice from thought leaders including Alison Davis and Angela Sinickas on the different types of segmentation with their characteristics and advice on how to start out in segmentation. Plus a full in-depth Royal Bank of Scotland case study on how it uses segmentation to shape HR policy and guidance on using databases to segment employees, increasing segmentation's value, conducting statistical segmentation and the dos and don'ts of segmentation.

3: Methods of segmentation

Our research shows that organizations are mainly choosing to segment by “traditional” methods such as job type, job level or grade, business division and geographic location. But, even though these methods are fairly widely practised, they need careful implementation to be effective. In this chapter, we learn from a number of companies that are using these types of segmentation successfully.

The importance of research

In each case, the effectiveness of their segmentation is based on thorough and careful research. A frequent comment by organizations carrying out stakeholder research is that previous assumptions about their audiences based on the gut instinct of internal communicators proved to be incorrect. While we mostly believe that as professional internal communicators, we know our audiences well, we often end up putting in place approaches that make sense to us personally rather than solutions our stakeholders would choose for themselves.

The organizations we looked at use a combination of employee surveys, focus groups, telephone polls, new hire and exit interviews and measurement of existing channels to build up a comprehensive picture of their employee base.

“Audience segmentation is critically important to achieving employee engagement”

Tamara Erickson,
President, **The Concours Institute**

Intel: segmenting by country

In 2005, Intel's employee communication department undertook a global study into their internal communications program over a five-month period. The program leaders, Geoff Ivey and Steve Sanders, embarked on the project with the aim of defragmenting the organization's communications.

“Our aim was to take a more holistic approach to messaging and a more organized approach to communication strategy,” Sanders explained. “We wanted employees to receive fewer, more targeted messages. This was a new challenge as we hadn't targeted communications before.”

1. SEGMENTING BY COUNTRY EXAMPLE: CHINA

Intel put together China's internal communication framework in 2005, examining their approach to e-mail effectiveness, the role of senior leaders, and delivery of communications to employees. Employees highlighted several communication

barriers during the research which Intel has formulated solutions to:

1. Employees requested less corporate jargon, so Intel plans to use more local language in their communications.
2. Employees were unaware of the CEO blog, possibly because of language issues, so Intel plans to localize this by creating more blogs in Mandarin.
3. Employees gave an idea of the types of information they were more interested in receiving, so Intel will prioritize their needs.

Sanders and Ivey believe that from a communications perspective this will provide a real difference: “Previous benchmarking we have done shows most communication groups operate with limited information and their actions result from gut feeling. They consider how they rather than their audience would like to receive information.”

CASE STUDY EXTRACT

> See the full report to read this extensive case study in its entirety, including the aims of the new approach, how Intel conducted its research, analyzed the data and the major segments found.

Find practical tips and case studies on different types of segmentation including segmenting by attitude and motivation and segmenting to communicate specific information or to build employee insight. Explore in-depth case studies from AstraZeneca, Avaya, Intel, Mayo Clinic, Royal & SunAlliance, Vodafone UK, Dow Corning, Lloyds TSB and Tesco.

4. The impact of a changing work environment

Here is a new piece of jargon to add to your collection: a “generational cohort” is a group of people who experience the same event within the same time interval. Sociologists and marketers refer to the four main generations born between 1927 and the present day as the Veteran Generation (1927-1945), the Baby Boomers (1946-1964), Generation X (1965-1983) and Generation Y (1984 onwards).

All of this means that today's businesses are far more diverse than the ones our parents worked in and they are becoming more so. How do we make sure communications meet the needs of very different national cultures in increasingly global organizations? How do we meet the challenge of engaging four very different generations working alongside each other?

This chapter answers all of these questions and the extract below gives you a glimpse at how demographics shape attitudes.

Alison Davis: applying employee demographics

Demographics provide a way to distinguish and describe characteristics of a population (such as age, gender, educational attainment and employment) to determine what sets that segment apart. For example, social scientists use demographics to explain a population's attitudes and behavior. Marketers use demographics to provide insights on which products to develop, how to advertise, even where to arrange merchandise in a store. So it's surprising that so few internal communicators use demographics to their advantage to set strategies, build messages and create communication vehicles that reach employees most effectively.

Understanding the individual

So why do demographics matter? According to David K. Foot, a professor in economics from the University of Toronto, demographics explain “two-thirds of everything.” As he points out in his book, *Boom, Bust and Echo: Profiting from the Demographic Shift in the 21st Century* (Stoddart, 2000), demography “is the most powerful – and most underutilized – tool we have to understand the past and to foretell the future. Demographics tell you, as an individual, a great deal about who you are, where you've been, and where you're going.”

Shaping attitudes

Here's a glimpse at how demographics shape attitudes – in this case, about communication. People in their mid-40s or older grew up in the era before computers. They did school assignments by hand or on typewriters, looked up information in books in the library, and, when they started working, wrote paper memos that were delivered via interoffice mail.

These workers may use technology, but it doesn't necessarily come naturally to them. They're more likely to regard technology as a tool to get work done than of a cool way to spend spare time. Contrast this with a workforce of people in their 20s. They like to make fun of their parents for ineptitude with devices like PDAs (personal digital assistants) They don't remember a time when you couldn't watch a movie whenever you wanted, mix music your own way and instant-message friends.

The implication, of course, is that if a significant portion of your organization's workers are in their 40s, 50s, 60s or above, it's wise not to rely solely on electronic communication. But those 20-something employees are very interested in being communicated with electronically, especially if they can participate (think blogs, wikis and two-way video) the way they do outside of work.

Five useful types of demographic information

It's easy to get overwhelmed by demographics – there are so many different categories to consider. Here's a list of the five most important types of demographics information that can help inform employee communication:

1. The big picture – how many people does your organization employ?
2. Geography – what is your organization's geographic scope? How many employees at headquarters? How many large or major locations and how many employees work at each? How many field/remote outposts does your organization have? Do you have a significant employee population that works at home or at client locations?
3. Tenure/length of service – what is the average length of tenure? What is the rate of attrition? What percentage of employees has worked for your company less than a year? How many have been with the company for more than 10 years?
4. What age ranges predominate? Under 18; 18-24; 25-34; 35-44; 45-54; 55-64 or 65 and over?
5. Job categories – what are the major activities/jobs done by employees? Are they in management, R&D, manufacturing, sales, transport, customer service, etc.? How many employees work in each segment?

EXTRACT

5. New technologies

Technology makes it possible to surround people with an incomprehensible amount of information very quickly and easily. Without some form of segmentation, it's all too easy for communication to blur into an undifferentiated mass and the relevant and more important information gets missed. Often, the plea from communication audits these days is for the organization to help by offering more signposting and targeting of information instead of expecting people to wade through everything – relevant or not – themselves.

The good news is that technology – including intranets, wikis, podcasts, RSS and social media – can also now provide us with the tools to target only relevant information to specific segment employee groups using HR and IT databases to provide the base data. It also allows people to make their own choices about the information they access.

Michael Rudnick: Challenges in implementing audience segmentation

Measuring segmentation

While, Rudnick asserts, in consumer marketing it is easier to measure the effect of audience segmentation because of the commerce-driven nature of the activity, internal communications proves to be more difficult. The most simple way to measure – and one which is used on a variety of commercially and non-commercially driven websites – is to evaluate your user logs, which show very specific online behavior of your user population. This doesn't, however, measure an employee's change in work behavior.

It is easy to see how many times an employee logs in each week, which sites and pages they visit, for how long and where they left the site, but Rudnick believes that "we're just beginning to scratch the surface on questions such as what works in the UK compared to Germany or France, the type of information employees are consuming, the effects of language and time of day, and how a factory worker looks at the site differently from a desk worker. By knowing such detailed usage, companies can target their communications and timing on the desktop based on this data."

Social media – the medium is the message

Rudnick also comments that the new wave of social media has made access to and types of channels used as important as the content: "Research is showing that what engages users more than being receivers of good content is the ability for interaction – contributing content and controlling their personal online space – and social media puts the keyboard in the hands of the audience. If this is the case, then as the communicator you have no control over the words: if you don't focus on the channels and the media then what are you doing? You can affect content as a writer, and then there is content that you are going to be a facilitator of in the audience population. Audiences seem to have an insatiable interest in creating content. This is changing the balance of editorial power."

The latest market research shows that the younger generations – Gen X, Gen Y and the Millennials – want more flexibility in how they communicate and interact with others online. Rudnick recalls, "I spoke to a 27-year-old business analyst recently about online collaboration, how blogs are replacing e-mail and the meteoric rise of myspace.com and facebook.com who commented: 'We (those under 30) have grown up with tremendous choice all through high school and college. We're used to the flexibility of when, where and how we give and get information. We want choice. We want options. We don't want one destination, we want millions.' Marshall McLuhan's widely quoted statement is more true today than ever before: 'The medium is the message.'"

EXTRACT

This chapter gives you an insight on how technology opens new ways to target communication to stakeholders and allows people to make their own choices about the information they access. It includes Arnie Witchel explaining the diffusion theory and how it applies to segmentation, and innovative ideas on how to design an intranet based on task-based audience segmentation. Indi Young explains how to redesign the intranet to segment employee communication, plus technology expert Shel Holtz gives you a detailed brief on how to use RSS to cut through the clutter.

Mastering audience segmentation

Executive Summary

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