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Reproductive Health
Supplies Coalition

Market Development Approaches Working Group

MARKET SEGMENTATION PRIMER

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For more information about the Supplies Coalition and its Working Groups, please see www.rhsupplies.org.

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ACRONYMS

BCC	Behavior Change Communication
CHAID	Chi-squared Automatic Interaction Detection
CPR	Contraceptive Prevalence Rate
DHS	Demographic Health Surveys
IUD	Intrauterine Device
JPFHS	Jordan Population and Family Health Survey
MDAWG	Market Development Approaches Working Group
MCH/FP	Maternal and Child Health and Family Planning
NGO	Nongovernmental Organization
P&U	Pharmacia and Upjohn/Brazil
RH/FP	Reproductive Health/Family Planning
RHSC	Reproductive Health Supplies Coalition
SMO	Social Marketing Organization
SLI	Standard of Living Index
TMI	Total Market Initiative

I. INTRODUCTION

1.1 PURPOSE

The Reproductive Health Supplies Coalition (RHSC) Market Development Approaches Working Group (MDAWG) conceived of this market segmentation primer to endorse the importance of market segmentation to overall market growth. The primer serves the following purposes:

1. Introduce the purpose, theory, process, and approaches for segmenting markets to increase family planning (FP) market efficiency and equity
2. Make the case for using market segmentation to expand access to and affordability of modern contraception
3. Provide all stakeholders—policymakers, public and for-profit providers, manufacturers, distributors, donors, program implementers and contractors, and nongovernmental organizations (NGOs)—with a common set definitions and sources
4. Collect in a single place reference materials, websites, and data to facilitate use of market segmentation approaches in diverse country settings.

1.2 WHAT IS MARKET SEGMENTATION?

Market segmentation is a tool to help governments and private sector suppliers better coordinate their efforts, leading to more sustainable programs and rationale use of resources. It is widely used in the commercial arena as companies seek to learn more about their existing and potential clients and target their resources more efficiently. Market segmentation holds similar benefits for contraceptive commodities and services. Experts define market segmentation differently; however, the underlying theme is the same. The text box below provides examples of several definitions from key experts and stakeholders.

Definitions of market segmentation

Market segmentation strategies are used by businesses to divide their customers into distinct groups based on different factors, such as income, and to target their products accordingly. In FP, market segmentation is used to divide the FP market into groups based on choice of method and provider and to match clients with sources based on need and ability to pay.

<http://www.fhi.org/en/RH/Pubs/booksReports/fpfinancing/brief3.htm>

Market segmentation is the process of dividing the total market into smaller subsets (segments) that have similar characteristics, needs, or behaviors. Market segmentation analysis looks at current patterns of demand and use for RH commodities and the characteristics of users—socioeconomic, sociocultural, and behavioral—in order to find better and more efficient ways to meet existing demand or generate increased demand. (<http://deliver.jsi.com/dhome/topics/policy/csinitiatives/marketsegmentation>)

Market segmentation views a heterogeneous market as a number of smaller homogenous markets, in response to differing preferences, attributable to the desires of consumers for more precise satisfaction of their varying wants. The identification of segments results in a decision whether to create a specific product or service for each segment, depending upon the capability of the marketing organization to satisfy the specific wants or preferences of that segment.

PSI Working Paper Segmentation and a Total Market Approach

1.3 PRIMER OVERVIEW

Based on case studies from a variety of developing markets, this primer provides resources to assist in the understanding and use of market segmentation research to strengthen the RH/FP market.

The great majority of market segmentation examples for this report come from USAID-funded projects, as USAID has been a global leader in advancing the role of the private sector in FP. Because multi-sectoral planning requires an understanding of how the market can be served in a complementary fashion, segmentation studies are a natural outgrowth of this market diversification. This primer is intended to be iterative, inclusive, and interactive, and as the FP market continues to evolve, the MDAWG is continually seeking new case studies, tools, and resources from all sources.

2. WHY CONDUCT MARKET SEGMENTATION STUDIES

2.1 BENEFITS

Commercial companies have long used market segmentation to enhance their profits by learning more about potential customers and their competitive advantage in serving those customers. The benefits of market segmentation include the ability to identify the following:

- Gaps where products with different characteristics, price points, or delivery points are needed
- Trends in demand for new types of products
- Least profitable and most profitable customers
- Markets where prices can be raised without losing share
- Saturated markets where products will not sell
- Unresponsive consumers uninterested in a product category or brand
- Content and timing of advertising messages that match consumer needs
- Sources that may influence consumer purchases
- Market inequities

Specific benefits related to informed decision making for policy and program application, as well as how to facilitate increased interaction among stakeholders, are discussed in the following sections.

2.1.1 OPPORTUNITIES FOR POLICYMAKERS AND PROGRAM IMPLEMENTERS

Market segmentation research provides decision makers with guidance concerning the most efficient and effective use of resources. It provides a sound empirical baseline of information. There are three ways in which market segmentation data can shape FP interventions. First, any single provider in the FP market can use market segmentation data to increase market share. Second, such data can increase the overall market size and thereby increase use of this public good. Finally, it can increase market efficiency for the government stewards of public resources.

Policymakers: Policymakers can use market segmentation research to inform evidence-based policy initiatives that promote and protect equity, thereby providing government officials with actionable information. The identification of market segments can guide planning decisions about how to meet health system performance objectives. For example, market segmentation studies will identify the current and potential size of market segments that the private sector could serve.

Examples of public policy use of market segmentation data

- Protects the most vulnerable by creating and enforcing eligibility rules to preserve limited public resources for those with the greatest need
- Removes barriers to access for underserved groups by assisting in such areas as easing of restrictions on provider qualifications
- Expands private sector participation through policies to ease import, registration, and price controls that stimulate demand for needed RH/FP products.

Case Study Morocco: Using market segmentation analysis to initiate public-private dialogue

By the mid-1990s, the national FP program established in Morocco in 1966 had made significant improvements in contraceptive access and use through both the public and private sectors. By 1995, the Moroccan government faced growing economic constraints, desired that FP services be decentralized to the local level, and sought to preserve its role as a service provider in an economically sustainable fashion.

A market segmentation study, funded by USAID, was undertaken to identify the relative size of consumer segments based on their choice of contraceptive method, their choice of public versus private providers, and the level of unmet need. The analysis found a mismatch between older women's desires not to have additional children and the low use of long-term contraceptive methods (female sterilization intrauterine devices (IUDs)). Based on the medium to high status of both older city dwellers and older working class, the study highlighted the opportunity for the private sector providers to play a larger role in the provision of long-term methods.

The study also highlighted the unmet needs of rural poor women, labeled traditionalists, who were current nonusers of FP methods but wanted to limit family size. This group is best served by public providers given the high costs and low profit incentives.

As a result of the market segmentation study, the government reexamined the role of private sector in the FP program, especially in meeting needs of users who prefer private providers. A workshop with representatives from both the private and public sectors led to consensus on the need to increase access to long-term methods through the private sector, particularly in urban areas.

Program implementers: Market segmentation analysis increases understanding of clients' needs and preferences. Armed with data about various client groups, public and private sector programmer can plan more successful products and services.

Programmatic applications of segmentation research

- Improve behavior change communications with messages tailored to the values and tastes of the target audience, through channels most likely to reach and influence them
- Uncover opportunities for expanding method mix, location, and quality options
- Attract new providers to the market, encouraging innovation in product development and competitive benefits.

Case Study Ghana: Changing program delivery to target areas of highest need

In an analysis of ways to improve Ghana's contraceptive security, USAID's DELIVER Project compared private and public sector performance between 1998 and 2003. Although the contraceptive prevalence rate grew, unmet need remained high.

Analysis revealed that the private sector could strengthen its role by introducing lower priced alternatives to oral contraceptives and injectables for clients who could afford to pay more than the social marketing organization but less than current commercial prices.

Through a market segmentation study, the government was able to identify the demographic characteristics of individuals who are not being served. Unmet need for women of reproductive age living in rural areas was 38 percent, while the contraceptive prevalence rate (CPR) for this group is 15 percent, compared to 28 and 34 percent for urban residents. The 15-24 age group in rural areas has the lowest CPR and an alarming 46 percent unmet need.

As a result of the analysis, the Ministry of Health (MOH) decentralized FP to the community level through community agent distribution. This strategy will help reduce physical and geographic barriers and those related to financial access (reducing time and transportation costs for clients). The MOH has also formed a Whole Market Working Group, made up of the MOH, NGOs, and private-sector providers, to implement and monitor segmentation strategies. An overriding concern of this group is to address unmet need, which is significant for all income groups, ages, and regions.

2.1.2 FACILITATING INTERACTION AMONG KEY STAKEHOLDERS

Market segmentation strategies facilitate information sharing among stakeholders and help to clarify optimal strategies for increased use, efficiency, and sustainability of supply. Each category is better able to leverage its market strengths. Companies in competitive markets understand that they cannot serve every consumer. Market segmentation provides the basis for making strategic choices based on customer needs, available resources, objectives, and competitive alternatives. The result is a greater impact with limited resources and a better return on investment.

These same principles apply to the provision of RH/FP products in developing countries, where existing approaches to the provisions are often ad hoc, with little dialogue among various stakeholders. Donor-funded programs have been introduced into the market without coordinating programs with other FP providers. Public and private sector suppliers¹ are working at cross purposes, leading to duplication, waste, and inequitable service delivery. The result is:

- Oversupply or undersupply for particular market groups
- Missed opportunities for profitable products and services
- Lack of efficiency in delivery

¹ For purposes of this toolkit, the term private sector includes commercial manufacturers, pharmacies, social marketing companies, for-profit and not-for-profit health providers, and NGOs.

- Poorly received products
- Depressed demand
- Lack of clear goals
- Limited advocacy to promote FP goals

The need for better coordination among stakeholders is growing as governments throughout the developing world are facing increased demand for modern contraceptives and insufficient resources to meet that demand. Public-only funding for reproductive health supplies is a less viable option, although free contraception may still be seen as an entitlement in some countries. Donor funding is phasing out. Private sector participation is needed to ensure adequate choice, availability, and quality of contraceptive supply.

One way to strengthen contraceptive security is to target resources to those with the greatest need, those who risk going without basic RH/FP services unless provided at no or low cost. Consumers with the ability to pay for RH/FP services could be encouraged to utilize private sector options, expanding access and choice in the market overall.

The purpose of market segmentation is to determine the extent to which different needs and preferences exist. Decisions can be made about how to address the needs of each segment depending upon the capability, strengths, and comparative advantage of each sector. Market segmentation is used to increase financial sustainability, reduce financial barriers to access for those who cannot afford to pay, and help target strategies to address unmet need for specific subpopulations.

What is the family planning market?

The market for FP includes contraceptive methods, consumers, and providers. Contraceptive methods include both modern and traditional methods. Consumers are defined as women of reproductive age (15-44 years), including those using a modern contraceptive method and those with an unmet need for family planning. Providers are defined as government and private for-profit (commercial sector) and not-for-profit (NGO) entities. The way in which the various components of the FP market fit together is referred to as the FP market structure.

Source: Market Segmentation Fact Sheet RH Supplies Coalition

3. CONCEPTUAL FRAMEWORK: A TOTAL MARKET APPROACH

3.1 WHAT IS A TOTAL MARKET APPROACH?

A Total Market Approach, according to the United Kingdom's Department for International Development, is a process to "assess the characteristics of existing and likely future markets, and to define the comparative advantage of commercial, social marketing, NGO, and public sector actors in terms of competence and value for money in delivering a range of products or services to different market segments, including the poorest. It can enable closer and more structured linkages with commercial, public and non-governmental organizational sectors and aid the gradual shifting of consumers with sufficient purchasing power out of the public sector." The aim of a Total Market Approach (also known as Whole Market Approach) is to design and coordinate interventions across all sectors and sources of supply in a country by willingness to pay to improve health system effectiveness, equity, and efficiency.

A segmentation analysis may encourage focus on a particular segment, but unless private and public sectors plan interventions in a coordinated fashion, conflicting programs may create unintended consequences. For example, a donor's distribution of free contraceptives may create disincentives for commercial suppliers to enter the market and serve users with the ability to pay full cost.

In a Total Market Approach, the public and private sectors work together on market segmentation strategies to ensure that the needs of different population segments, as well as the comparative advantages of different suppliers, are considered. Multisector efforts can shift those who use traditional contraceptive methods to using more effective modern methods, encourage wealthy clients away from using subsidized sources, and attract private sector participation to market segments that meet their needs for profit and growth.

Cooperation among public, private, and philanthropic actors is not easily achieved. Challenges can include lack of trust, differences in culture, conflicting motivations, and a complex or transitional policy environment. Success factors include involving the right participants at a senior level, creating common goals and objectives, and using transparent processes for planning, implementing, and evaluating decisions. It is important that all market participants perceive the value in working collectively to achieve synergies.

3.2 COORDINATION AMONG ALL SECTORS OF THE TOTAL MARKET

Public sector programs are needed to serve clients with no ability to pay, high need, and low accessibility. Market segmentation studies can help ensure that the free or heavily subsidized products and services go to those who need it, reducing market inequities. By targeting those with the greatest need, market segmentation can help governments solve RH problems such as unwanted pregnancies, maternal mortality related to early and risky pregnancy, and lack of information and education. High-risk

groups can be further segmented into subgroups that share common characteristics, to prioritize services within the larger underserved population.

Case Study Honduras: A total market initiative focuses on the central role of government in FP

Total Market Initiative (TMI), developed by the MDAWG, draws on formative research to segment the market and to enhance understanding of the implications of the stewardship role of the state. It helps to clarify that government responsibility for the health of the whole population means ensuring that all needs are met, but not necessarily providing for those needs. By working with all public and nonpublic service providers, TMI increases the effective delivery of RH/FP services and supplies to ensure that all individuals are able to obtain RH/FP commodities of their choice when they need them. The role of the state— beyond the targeted provision of services— should focus on quality assurance and quality control to guarantee the standard of all services, regardless of provider, and can facilitate market development for private actors through reducing barriers to entry.

Championed by the national Contraceptives Security Committee, Honduras began the process of implementing a TMI in 2009. Although the modern contraceptive prevalence rate in Honduras increased from 51 percent to 56 percent between 2000 and 2005, unmet need also increased and currently hovers at 17 percent. The TMI began by convening national stakeholders to review planned activities, detail desired outcomes, and ensure that all sectors were represented. Initial meetings were held with the intent of actively engaging all sectors involved in FP in Honduras in addressing supply issues. External stakeholders can assist in bringing together parties among which mistrust and friction may exist. In Honduras, USAID projects facilitated in providing neutral forums to address the respective objectives and needs of public and nonpublic providers.

The TMI conducted a quantitative analysis of information from the 2005 Demographic Health Survey. Data of interest included current, previous, and future contraceptive use and reproductive history; and socioeconomic and demographic characteristics. The quantitative analysis segmented the population into groups with similar demographic and health characteristics. Researchers then collected qualitative information through focus groups on the segments' RH/FP preferences, influences on method choice, fertility plans, and sources of health information.

Although changes within the government delayed the TMI process, stakeholders in Honduras (MOH, private sector representatives, NGOs, donors) plan to convene in early 2010 to discuss the results gathered through the formative qualitative and quantitative research. The dialogue will emphasize a collaborative, multi-sectoral approach to ensuring that RH/FP commodities are available to all. The meeting will culminate in the creation of an action plan that will include the roles of all institutions, a timeline of milestones, and a defined targeting strategy for each stakeholder. The overarching goals of the work in Honduras are to increase availability, predictability, and sustainability of public-sector funding; increase utilization of the private sector at the country level to secure FP supplies and services; and increase efficiency in use of donor resources.

Commercial sector partnerships are needed to complement public sector resources that cannot fully meet FP demands. Important considerations include ensuring that clients who are not eligible for subsidized services in the public sector have affordable, quality alternatives. The commercial sector is completely financed by clients' fees, and market segmentation data can target segments with high levels of need, likelihood of responsiveness, and ability to pay. If public sector efforts conflict or crowd out commercial sector opportunities to serve clients who can afford to pay full price, FP goals will be compromised.

Case Study Brazil: Growing the market with new pricing and promotions

In 1997, Pharmacia and Upjohn/Brazil (P&U) intended to introduce a new contraceptive method to the Brazilian market, the three-month injectable Depo-Provera. P&U planned to market it only to doctors who intended to target primarily breastfeeding women, a narrow segment of the market, at a relatively high price. USAID funded a market segmentation study by the SOMARC III Project to persuade P&U that a much broader and more profitable market existed for Depo-Provera at a much lower price.

The market segmentation analysis divided the market into five segments: (1) women under 30 with no children; (2) women under 30 with one child; (3) women with more than one child who wanted to space future births; (4) unsterilized women who wanted no more children; and (5) all other women of reproductive age. The analysis examined the characteristics of current users of one-month injectables in relation to the characteristics of the five segments. The analysis found that segments 2, 3, and 4 were more likely than other segments to be past users of oral contraceptives, indicating these women have a strong interest in using hormonals. Women from these segments who matched the characteristics of one-month injectable users composed 19 percent of the entire FP market, suggesting a much larger market exists for the three-month injectable product.

Based on the market segmentation analysis, P&U introduced Depo-Provera through a consumer marketing program at one-half the original price. In exchange, USAID supported medical detailing efforts and developed coalitions with medical and FP groups. Within one year of the new strategy's implementation, sales of Depo-Provera exceeded P&U's original sales projections by more than 30 percent. (SOMARC III Project summarized in Berg, 2000).

Social marketing organizations improve equitable distribution with subsidies that expand access to those who need it, combining financing from donors and fees charged to clients. Market segmentation analysis can help social marketing organizations recover enough costs for long-term sustainability while expanding the range of FP products, services, price points, delivery points, and promotion. Subsidized programs that charge small amounts can model and encourage use of the commercial sector while limiting free products to the poorest clients. Effective and targeted service provision helps social marketing organizations (SMOs) build loyalty for their organization, further helping financial sustainability. Clear policies and objectives for the social marketing segment are critical, however, to prevent SMOs from dominating rather than building a market. National coordination can prevent well-intended donors from duplicating public services or subsidizing methods, locations, or customers that do not need support.

Case Study India: Using market segmentation to strengthen social marketing efforts

In 1992, the government of India sought to increase the demand for and use of contraception in the state of Uttar Pradesh. USAID provided financial and technical assistance to develop social marketing programs, but the efforts stalled due to disagreement over approach. Through the POLICY project, a market segmentation study was commissioned to determine how the public, NGO, and commercial sectors could most cost-effectively serve the market.

The market segmentation analysis was conducted in two stages. The first stage divided the FP market into segments based on different types of use, nonuse, and future intention. The second stage looked at differences among the segments most likely to respond (users and intenders) and divided them in terms of needs and ability to pay.

The analysis revealed that urban segments had no need for subsidized products as they had high levels of use and low levels of intended use. Rural segments, on the other hand, had limited ability to pay and low levels of both current and intended use, suggesting a role for demand-generation activities. Based on the analysis, a market action plan proposed to channel major funding to the government to design and manage specific social marketing programs, marking the first time that India adopted a major contraceptive social marketing effort.

All of the case studies and segmentation strategies referenced in this toolkit are described within the framework of the total market. Ideally, one should examine the total market for market segmentation, rather than focus on increasing supply and demand within only one sector or portion of the population.

4. IDENTIFYING MARKET SEGMENTS

4.1 CREATING ACTIONABLE PROFILES

To effectively target particular segments of the population, it is important to develop descriptive audience profiles that take into account the distinctive demographic and behavioral characteristics of each group. The process of developing segment profiles involves two steps:

1. The market is divided along dimensions of need and use.
2. The segments or groups are described or profiled using common characteristics such as socioeconomic level or life cycle.

By dividing the FP market into measurable subgroups (or audience segment profiles), market segmentation provides practical information for resource allocation. In order for the target segments to be actionable, target segments must be:

- measurable (identifiable and quantifiable),
- substantial (sufficiently large to justify targeting),
- accessible (able to reach and address through marketing),
- distinct (different in some way from the other segments), and
- stable (differences between groups relatively unchanged over time).

4.2 DIFFERENTIATING AMONG SEGMENTS

To highlight variation among segments of the population to create descriptive profiles, particular consideration is given to differences in the following areas:

- **Need:** Need for FP is the driver of demand. Some consumers are satisfied with their current methods; others have needs for safe and effective contraceptives that are not being met. Indicators of unmet needs include mistimed pregnancies (women who wanted to have their children later), unwanted pregnancies, or high rates of maternal morbidity. By targeting population segments with high unmet needs, both private and public sectors may achieve greater use of service per level of expenditure.
- **Ability to pay:** Client segments differ in their ability to pay for RH/FP services. The public sector's ability to prioritize subsidized services for the poorest and most vulnerable requires knowledge of the economic status of client groups. Similarly, the private sector can use data regarding ability to pay to set prices that maximize profitability and sustainability.
- **Responsiveness:** Some consumer segments have a higher likeliness than others of using contraceptives in the future. By targeting interventions for consumer segments who intend to use

contraceptives, both public and private sectors will achieve greater efficiencies than if they simply serve the general population.

- **Accessibility:** Segments vary in the degree to which they are reachable, both in terms of awareness through promotion and distribution of product. Ease of access will help determine the profitability of serving a particular segment. The commercial sector, for example, may generate more revenue per unit cost by allocating resources primarily to urban rather than isolated rural areas.

4.3 CHOOSING THE VARIABLES

Segmentation studies use a variety of criteria or variables to differentiate consumer segments, based on factors that will influence consumption. These variables include demographic, psychological/attitudinal, and behavioral characteristics. Demographic and psychological variables can be used as indicators of behavior such as price sensitivity and lifestyle.

The following chart illustrates variables that might be relevant to different segments of an FP market, by category.

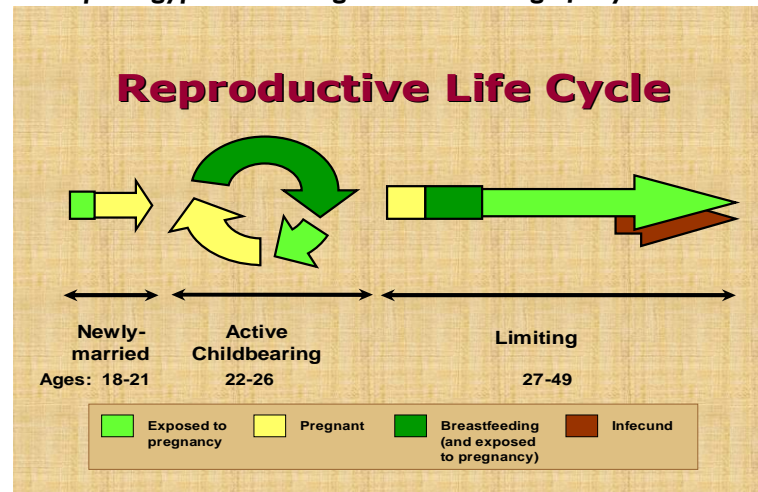
Demographic/socioeconomic	Psychological/attitudinal	Behavioral
Age	Values concerning family planning	Method usage, current, past, future intention
Gender	Cultural beliefs	Importance of method attributes
Urban/rural	Attitudes toward sexuality	Source of methods/supply
Wealth status	Motivation	Sexual activity/risk
Marital status	Influencers in family planning decisions	Media sources
Number of children/parity	Fertility desire	
Education		
Religion		

4.3.1 DEMOGRAPHIC VARIABLES

These data are often obtained from external sources or secondary investigations such as Demographic Health Surveys (DHS). However, demographic data can also be obtained from primary data collection, for example, representative population-based studies. The following are examples of important demographics to be considered when developing specific audience profiles.

I. Age/life cycle: Although reproductive age generally extends from approximately 15-49, women’s needs for FP vary across their life-cycle stages, from presexual adolescents, to married women wanting children, to mothers who desire no more children. Users can thus be grouped by generations or age categories that correlate with other variables such as needs and preferences.

Example: Egypt market segmentation using life cycle variables



2. Geographic location: Geographical units can be divided by region or neighborhood, size of city, or density of population. Populations are often grouped by rural versus urban, because rural populations are generally more costly to reach, with lower density and weaker infrastructure.

3. Wealth status: Wealth status is an important indicator of equity. Wealth can be measured by reported income, but in many emerging markets, low levels of economic development make income inapplicable.

As one construct of wealth, researchers have used the World Bank Standard of Living index that measures wealth based on household assets, which include household goods (e.g. television, bicycle), amenities (e.g., electricity, sewage systems), and housing materials and construction (e.g., roofing, number of rooms). Households can then be rated (e.g., on a scale from 1 to 5) to evenly distribute populations relative to one another as separate socioeconomic groups.

4. Level of education: Level of education is a variable that often correlates with other variables such as occupation or socioeconomic status. Level of education is also an important variable in designing effective marketing messages for low levels of literacy.

5. Number of children: This variable can be used to group clients who have no children, one child, or two or more children. Number of children may be a useful way to target clients at different life-cycle stages.

6. Gender: Females are the primary users of RH services and products, though males are the primary market for male-controlled contraceptives, such as condoms and vasectomies. Cultural customs and norms regarding the role of men and women in making FP decisions may point to a need for gender-specific programming.

7. Religious affiliation: Religious affiliation may be valuable in identifying common values, customs, or beliefs related to RH and sexual activity.

4.3.2 PSYCHOLOGICAL/ATTITUDINAL VARIABLES

Psychological data are generally obtained through formative research surveys conducted for segmentation analysis. However, these data may be available from secondary sources as well. The following psychological and attitudinal variables are considered important when developing specific audience profiles.

- 1. General attitudes:** This includes values related to being healthy, open-mindedness, and women's role in the family[?].
- 2. Values related to FP:** These values might include perspectives about who should be in charge of RH decisions in a family, importance of birth spacing, and attitudes about sexuality and marriage.
- 3. Perceptions about FP methods:** Perceptions are related to awareness of modern contraception methods and options; beliefs about the safety, side effects, and effectiveness of various methods; and the importance of various attributes of FP methods.
- 4. Social influencers:** Influencers of FP decisions include sources of FP advice and the trustworthiness of health providers.
- 5. Motivation:** Consumer motivation to use a particular FP method is tied to the willingness to pay, with more motivated consumers likely to pay to higher prices and thus improve cost recovery.

4.3.3 BEHAVIORAL VARIABLES

Behavioral data are generally obtained through surveys conducted for the market segmentation analysis, as primary research, and/or through review of sales data. However, it is possible to find some lifestyle and media-related behaviors within secondary sources. The following behavioral variables should be considered as part of an in-depth market segmentation analysis.

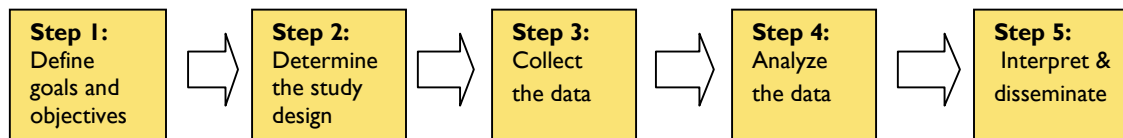
- 1. Product/method use:** This variable describes current use, discontinuation of use, intention to use, frequency of use, and if ever used, to help programs define the size and needs of their market. Method use data may highlight gaps in the market, such as a need for more permanent methods. Low-method use may indicate the need for marketing to encourage trial use.
- 2. Source of supply and source preference:** These data provide insight about current and preferred sources of contraceptives, including public, social marketing, and commercial options. Data on source preference might include details on most valued characteristics of source, such as discretion of service, price, availability, or location.
- 3. Benefits/product features:** This variable identifies product characteristics of importance or nonimportance to users. In addition to price, such variables might include reliability, quality, health benefits, safety, absence of side effects, ease of use, privacy, speed of intervention, or prestige.

4. Risk behaviors: These behaviors might include indicators related to early sexuality, transactional sex, multiple partners, or other factors that may influence use of contraceptive products.

5. Mass media habits: Such habits might include preferred sources of media, frequency of use, specific programs, and access to Internet or telephone.

5. STAGES OF MARKET SEGMENTATION RESEARCH

Market segmentation research begins with understanding what information is needed and how it will be used. Each stage of the research will be tailored to the purpose of the analysis. It is an analytical process that uses numbers to tell a story about customer needs and how they decide to purchase one product over another. The figure below outlines the five steps that must be undertaken for a market segmentation study to be effective. The sections that follow will explain these steps in more detail.



5.1 STEP 1: DEFINE SEGMENTATION RESEARCH GOALS AND OBJECTIVES

To segment the market effectively, it is essential to first establish the overall goals and specific objectives of the segmentation research. This entails in-depth discussions with all stakeholders or potential users of the research. A review of previous research may be needed to probe for any key gaps in knowledge, articulate the program or policy decisions that need to be made, and identify potential segmentation bases that need to be explored in the research phases. The following table

Case Study Jordan STEP 1: Facilitating policy changes through market segmentation analysis

Establishing objectives: The 2002 Jordan Population and Family Health Survey (JPFHS) showed that the use of modern FP methods among married women ages 15-49 had increased from 27 percent in 1990 to 41 percent in 2002. Despite this success, Jordan's FP market faced several challenges. First, increasing population growth and the subsequent increase in the demand for FP meant an anticipated sharp increase in the number of contraceptive users. Second, fertility rates, unmet need for FP, and discontinuation rates were high. Finally, a phase-out of USAID funding for contraceptives was slated to begin in 2005.

illustrates several examples of questions a policymaker or program manager should ask in order to develop specific, measurable, achievable, realistic, and time-based goals and objectives.

Questions for Developing Market Segmentation Research Objectives:

- What is the relative market share of each source of FP services (public sector, NGO, commercial sector)?
- Who is being served and who is underserved?
- What is the profile of current public, commercial, and NGO sector clients?
- Who has access to and can afford commercial FP services and products?
- What is the untapped potential for commercial products among users of subsidized products?
- What profile of the population will be most at risk if contraceptives were no longer available in the public sector?
- How does service delivery link FP clients with ability to pay?

5.2 STEP 2: DETERMINE THE STUDY DESIGN

After the goals and objectives are established, it is important to decide on a study design. This entails deciding which demographic, psychographic, and behavioral variables are important to include in the study.

Another critical part of designing a study is deciding which type(s) of data to draw from. It is possible to use secondary data sources that have already been published, such as consumer demographic data that are publicly available through DHS and other population-based surveys.

Although market segmentation research can be done using only secondary data, if time and funding allow, the study will be more comprehensive if primary data are collected. In this case, the researcher designs valid and reliable research instruments to seek input from a representative sample of the population.

Determining the sampling strategy is also part of designing the study. The researcher must decide from whom they would like to obtain information. For example, a market researcher may want to collect data from potential FP users, their spouses, providers, and/or others who may be involved in FP decision making. The steps that follow focus on primary data collection as a means to segment the market.

Case Study Jordan STEP 2: Facilitating policy changes through market segmentation analysis

Establishing objectives: The 2002 Jordan Population and Family Health Survey (JPFHS) showed that the use of modern FP methods among married women ages 15-49 had increased from 27 percent in 1990 to 41 percent in 2002. Despite this success, Jordan's FP market faced several challenges. First, increasing population growth and the subsequent increase in the demand for FP meant an anticipated sharp increase in the number of contraceptive users. Second, fertility rates, unmet need for FP, and discontinuation rates were high. Finally, a phase-out of USAID funding for contraceptives was slated to begin in 2005.

In light of these challenges, USAID requested that the POLICY project conduct a market segmentation analysis of Jordan's FP market in 2004. The purpose of the study was to provide policymakers with a better understanding of the FP market and to identify the segments of the population to which each sector would ideally cater. In light of these challenges, USAID requested that the POLICY project conduct a market segmentation analysis of Jordan's FP market in 2004. The purpose of the study was to provide policymakers with a better understanding of the FP market and to identify the segments of the population to which each sector would ideally cater.

5.3 STEP 3: COLLECT THE DATA

Thorough information about psychographic or behavioral variables often requires investment in primary market research. Primary data can be collected using qualitative and/or quantitative research methods. A quantitative research methodology involves asking a set of questions to a large representative sample in a one-way interaction. Qualitative research involves moderator-led inquiry to understand *why* people have certain beliefs or behave the way they do. This type of research typically makes use of focus groups or in-depth interviews, whereby the moderator asks unstructured or semi-structured questions.

Case Study Jordan STEP 3: Facilitating policy changes through market segmentation analysis

Determining the methodology: The market segmentation analysis used the 2002 JPBS, which included a sample size of 6,000 ever-married women ages 15-49. To establish households' ability to pay and construct separate quintiles for urban and rural areas, the team used a standard of living index (SLI) to rank households from poorest to richest. The index used was constructed by MACRO and assigned a factor score generated through principal component analysis to each household asset or amenity. In this way, MACRO defined the standard of living in terms of assets rather than in terms of income or consumption

Data collection often occurs in stages. For example, some researchers choose to conduct qualitative formative research in preparation for the design of the quantitative research. Other researchers prefer to conduct qualitative research after implementing a quantitative study to uncover the reasons behind reported attitudes and behaviors. Depending on the funding available, it is possible to do both. Ideally, researchers should have a mix of quantitative and qualitative research to develop comprehensive audience profiles.

5.4 STEP 4: ANALYZE THE DATA

There are a number of ways to analyze both quantitative and qualitative data to develop distinct audience segmentation profiles. Analyzing quantitative data involves statistical techniques that divide diverse populations into smaller subgroups. The subgroups, which can also be termed segments or clusters, are made up of individuals who have similar characteristics. This type of analysis benefits from the support of an experienced quantitative researcher and requires statistical software such as STATA, SAS, Latent Gold, and 'R' programs. Examples of statistical processes include the following:

Case Study Jordan STEP 4: Facilitating policy changes through market segmentation analysis

Conducting the analysis: The analysis examined various socioeconomic and demographic characteristics, such as education, parity, age, rural/urban residence, and place of residence, across the five SLI] quintiles. Method use and provider sources were compared across the SLI quintiles to determine the extent to which contraceptive use patterns and provider choice behavior differed. A careful analysis of these factors across the five SLI quintiles in rural and urban areas formed the basis of the market segments. STATA was used for the statistical analysis.

Cluster analysis: Cluster analysis is the process of grouping items in such a way that the degree of similarity is maximized for the items within a group and minimized between groups. The two most common forms of cluster analysis are hierarchical cluster analysis and partitional clustering. *Hierarchical*

cluster analysis creates hierarchically related sets or nests of clusters: each cluster can contain various subclusters. A *partitional cluster analysis* divides the observations into a distinct number of non-overlapping groups.

- For more information, go to <http://faculty.chass.ncsu.edu/garson/PA765/cluster.htm>

Latent class analysis: Clusters are identified by cases grouped according to their similar interests/values/characteristics/behaviors. Latent class analysis highlights segments that underlie multiple responses.

- For more information, go to <http://faculty.chass.ncsu.edu/garson/PA765/latclass.htm>

Chi-squared Automatic Interaction Detection (CHAID): The CHAID analysis assesses the relationship between dependent and independent variables. CHAID is frequently employed in data mining and it is a useful exploratory analysis technique. It can quickly analyze a large set of potential explanatory (dependent) variables to determine the most influential variables on an outcome of interest (independent variable).

- For more information, go to <http://www.statisticalinnovations.com/products/chaidtutorial1.pdf>

Discriminant Analysis: This technique is used to quantify the relationship between segment membership (e.g., bought, did not buy) and explanatory variables such as income and attitudes. It is often used after CHAID identifies candidate explanatory variables, to formally quantify and test the significance of relationships.

- For more information, go to <http://faculty.chass.ncsu.edu/garson/PA765/discrim.htm>

Qualitative analysis is typically utilized to inform the quantitative results. Qualitative data may be in the form of focus group transcripts, interview transcripts or notes, or video or audio recordings of client testimony. Some researchers use software such as NVIVO to analyze the qualitative information. Other researchers choose to analyze qualitative data without software.

5.5 STEP 5: INTERPRET THE RESULTS FOR DISSEMINATION

Once the data are analyzed, they need to be interpreted in a way that is user friendly for policymakers and program implementers. A market researcher will examine all of the data and determine how best to develop descriptive audience profiles that clearly depict the distinctive attributes of each segment. These profiles can be used to develop targeted behavior change communication (BCC) campaigns. Interpreting the results for BCC purposes is an important role for market segmentation analysis.

Feedback from key stakeholders is a valuable step in interpreting and understanding the findings and in designing recommendations based on the research. After the research is interpreted, dissemination to all stakeholders is possible. The organized data can be displayed in charts and graphs in ways that vividly highlight key issues to be addressed.

Once segments have been identified, each sector will be better prepared to design an appropriate product mix for the segment it selects to serve. In addition, stakeholders can use this information to develop BCC initiatives.

For more resources on data resources and analysis, see <http://www.foreseechange.com/mktseg.htm>

Case Study Jordan STEP 5: Facilitating policy changes through market segmentation analysis

Determining results and recommendations: The analyses showed that each sector had a healthy market share. However, since 1990, the commercial and NGO sectors' market shares had declined, while the public sector's market share increased. The analyses also indicated that a sizeable proportion of the public sector's clients were from the richest and second-richest wealth quintiles—clients who could easily afford to pay private sector prices. Moreover, more than 15 percent of the private sector's clients were from the poorest and second-poorest wealth quintiles—clients who may be better served by the subsidized public sector.

These results suggested that more effective targeting was necessary to encourage better segmentation of the market. Based on the findings from the provider market and consumer characteristic analyses, with specific consideration to consumers' location, needs, preferences, and ability to pay, the Jordanian FP market was divided into five segments to establish a better match between current users and the appropriate source of contraceptives.

To incorporate the results of the market segmentation into an FP strategy, the POLICY team made suggested potential policy options reflective of a total market approach, including the following:

- *Better targeting of all segments, but especially in the private sector, where there is untapped potential for private products and services among users of subsidized products*
- *Generating incentives for the wealthy to use the private sector, such as mandating the inclusion of FP products and services in health insurance policies*
- *Generating disincentives for the nonpoor's use of the public sectors, such as instituting user fees at government health facilities*
- *Disseminating information about the FP market to all sectors to facilitate analysis-based discussions about the respective roles of the public, NGO, and private sectors and encourage public-private collaboration.*

6. MARKET SEGMENTATION STRATEGIES CONTINUUM

There is no single or “right” strategy to segment a market, as it depends on desired research goals, objectives, and outcomes. Markets can be segmented by geographic area, by product, and by target client. If the goal is to improve equity in access to contraceptives, ensuring availability of free methods in rural clinics and selected urban neighborhoods may be sufficient to reach the majority of the poorest. Another strategy would be to focus on the public sector’s free provision of specific contraceptive methods not found in the private sector. Alternatively, if youth or students are identified as a priority for RH services, efforts to reach this group can be coordinated between the public and private sectors based on the needs and preferences of this segment.

Segmentation strategies fall on a continuum that varies in focus and complexity, depending upon the resources available for market research and the issues being addressed. There is no agreed-upon categorization of market segmentation approaches. The approaches described below are meant to be illustrative of programmatic considerations typically used in market segmentation research.

6.1 FOCUS ON SECONDARY DATA SOURCES DUE TO LIMITED RESOURCES

Analysis of demographic and other variables from a publicly available secondary data source may be a solution for market researchers who do not have large budgets for data collection. Although use of a secondary data source is not as comprehensive as other market segmentation research approaches, it is sufficient in the reallocation of FP resources to increase equity and effectiveness. For example, if wealthier clients were found to be heavy users of free services, policymakers could intervene to preserve limited resources.

Access to detailed, up-to-date data about use of family planning is not generally available outside of population-based surveys such as the DHS. Such survey data are collected to track progress and needs on national health indicators, but will not cover all areas relevant to program planning. Commercial companies in a competitive market will not share sensitive sales data on brand preference, trends, prices, and customer information. Lack of reliable market data is often cited as a barrier to new market entrants for countries seeking to expand contraceptive supply.

Case Study Uganda: Using publicly available DHS to identify latent demand

The USAID AFFORD project in Uganda undertook market segmentation analysis in 2007 to inform a strategy to increase choice of and access to basic health products and services, including contraceptives, for all Ugandans.

Utilizing data from DHS datasets, the study evaluated both current use of a product and stated intent to use that product in the future. By multiplying the survey percentage to the total population of women of reproductive age, researchers were able to estimate potential users for each product (not specific to brand). Socioeconomic status was determined using an SLI developed by Macro using responses to survey questions that served as a proxy for household income. Researchers developed five quintiles, from lowest to highest income], to evenly distribute the population.

The study found that the largest number of current users of both oral and injectable contraceptives was in the wealthiest quintile. However, intent to use did not correspond to socioeconomic status, with users across the quintiles expressing intent to use contraceptives in the future. This provided evidence that socioeconomic status was not a factor in the desire to use contraceptives, pointing to other factors that hindered current use such as price, access, or provider constraints.

Source: www.psp-one.com/files/5038_file_Market_Segmentation_Margot_Fahnestock.pdf

The use of more complex psychological and behavioral variables often requires primary data collection. Such a strategy provides richer insights for profiling and targeting segments with particular products or programs. For example, women could be segmented according to reasons for using certain contraceptives, such as cultural beliefs, combined with their willingness to try new methods. These higher stages of information provide more understanding of factors that influence use, but the costs and time needed to conduct this type of primary research will be greater.

6.2 FOCUS ON ABILITY TO PAY

Examples abound of how governments use market segmentation to assess whether an appropriate match exists between socioeconomic status and access to free or subsidized FP services and products. By grouping RH clients based on wealth quintiles, governments can identify opportunities for redistributing resources that may improve contraceptive prevalence rates. Consumers at the lowest quintile may have no ability to pay for any products or services beyond essential food and shelter. Ability to pay is primarily a function of income related to the cost of living. FP can be made affordable by lowering the price in alignment with ability to pay.

To establish households' ability to pay for FP services, researchers can use a quantitative method known as the SLI, which allows households to be ranked from poorest to richest. The SLI is defined in terms of whether or not a household possesses certain assets and household amenities, such as electricity, roof material, wall material, refrigerator, television, automobile, radio, and other amenities. Data on use of contraceptive methods and sources are then analyzed for each of the wealth segments.

A rule of thumb social marketing groups have adopted is to consider contraceptive spending up to 1 percent of household expenditure as being affordable. While this simplified rule does not take into account personal preference or the lack of disposable income among poor and rural groups, a 0.5-1 percent range can be used to gauge affordability (Source: *Contraceptive Security* report).

Case Study Turkey: Using market segmentation to identify priority groups for free public service

In 1994, a phase-out of donor-provided contraceptives required the Turkish Directorate of Maternal and Child Health and Family Planning (MCH/FP) to resolve how to best use limited financial resources to provide free contraceptive services to all who requested them. Intense disagreement ensued within the government about the best way to solve the problem. USAID's POLICY project conducted a market segmentation study to determine whether the current market structure—the source mix and the method mix—were consistent with national FP goals and needs.

Using data from the 1993 DHS and the 1987 Household Income and Expenditures Survey, the project uncovered seven distinct market segments. One of the findings showed that fully two-thirds of the insured members of the wealthiest segment relied on the public sector for their FP method. A feasibility study demonstrated that many public sector users were both able and willing to pay for contraceptives.

The segmentation analysis helped the Turkish Directorate of MCH/FP to identify specific sociodemographic and socioeconomic characteristics that best described people most in need of free services. This was the first time that health officials openly specified what they considered to be priority groups for free public services, and this built institutional support for an “ability to pay” model for social health insurance. This also helped the MOH to advocate successfully with the Ministry of Finance to increase contraceptive financing to meet the shortfall created by withdrawal of donor support.

6.3 FOCUS ON WILLINGNESS TO PAY

Building on the Total Market Approach, this approach focuses on nonuser segments based upon their likelihood of adopting use. Using concepts from DFID's *Making Markets Work for the Poor*, the Willingness to Pay approach explicitly accounts for consumer preferences and considers ways to increase the eligible population's use of services. The goal is to identify levers for motivating contraceptive use from whichever source is best positioned to serve particular segments, through market solutions or public sector sources.

This approach identifies issues that affect use of RH services, including vulnerability (e.g., undesired health outcomes such as unintended births), consumption, access, psychosocial determinants of consumption (such as willingness to pay), equity-based measures, and preferences for sources of supply. These determinates can be used to correlate contraceptive use with perceived availability, opportunity, ability, and motivation.

Case Study South Africa: Learning about condom nonusers

In a 2004 condom user segmentation study in South Africa, 3,360 males, aged 16-35, from six South African provinces, were surveyed about their condom use. The questionnaire was based on a behavioral framework to investigate the determinants of condom use. These variables included vulnerability (sexual relationship with noncohabitating partner), ever use and consistent use of condoms, preferred source of supply, highest price consumer would pay, access to condoms, and perceived risk. Socioeconomic information was also captured using questions related to assets and possessions, as well as demographic information.

Results revealed that one-half of males vulnerable to HIV infection do not use condoms, with no difference in ability to pay among consistent and inconsistent condom users. Approximately one-half of condom users most frequently use the public sector brand, 21 percent use social marketing brands, and slightly more than 3 percent use commercial sector brands, with no difference in ability to pay among the user groups. Typical equity-based measures, such as income, socioeconomic status, or education, were not correlated with suboptimal consumption.

These results suggest that the ability to pay is not a useful basis for designing contraceptive offerings that appeal to different market segments. The findings would also indicate that the condom market in South Africa is not structured effectively or efficiently.

6.4 FOCUS ON END-USER VALUES AND BELIEFS

The Client-Centered Market Segmentation approach is an example of a multidimensional segmentation that not only highlights demographic and economic variations, but also groups difference in values, beliefs, and attitudes. Because these psychosocial dimensions are key drivers of FP demand and use, this approach provides a framework to better understand the issues that impact the demand for contraceptives. A key feature of the Client-Centered Market Segmentation tool is that it distinguishes those groups that are most likely to be responsive to FP interventions from those who are not.

Differentiated market segments with distinct profiles will manifest themselves in differing levels of likelihood to buy contraceptive products, differing price sensitivity, preferred distribution channels, attitudes toward and usage of contraceptives, awareness of contraceptive options, and barriers to usage. Demand from these various segments can be increased and captured through the development of customized marketing strategies and through the targeting of messaging programs based on the distinct segment profiles.

Client-centered research develops a multidimensional profile of different prospective client groups by gathering qualitative and quantitative information on a broad array of behavioral, attitudinal, demographic, geographic, socioeconomic, lifestyle, and psychographic characteristics. This research also helps to develop strategies to reach known groups with special needs—such as displaced populations—by uncovering barriers and motivations that are unique to these groups.

Case Study Philippines: Converting latent demand to use.

Although contraceptive use in the Philippines has increased steadily over the past 35 years, results from the 2003 DHS showed that FP use had reached a plateau. PSP-One conducted a Client-Centered Market Segmentation analysis to help promote BCC efforts that could be tailored to specific nonuser subgroups and revitalize contraceptive use.

The Client-Centered Market Segmentation analysis requires representative survey data that include information on FP values, beliefs, attitudes, behaviors, and needs, as well as demographic, economic, and media habit information. PSP-One contracted a local research firm to field a quantitative survey that consisted of structured interviews with women between the ages of 15 and 49. The survey instrument used input from previous qualitative research efforts and was designed to quantify key attitudinal drivers related to FP. It also included a set of demographic, socioeconomic, and media preference questions.

The market segmentation analysis produced six unique segments of nonusers of contraceptives that maximized attitudinal, behavioral, and lifestyle differences. Following is a sample of a segment profile, drawing attention to attributes that can shape BCC:

Ready-to-Limit Conservatives (18 percent of nonusers) are FP positive, being more likely to believe that family planning helps a family financially and that family planning should be considered before becoming sexually active. Concerns about health risks is the main reason this group does not use FP. In terms of contraceptive needs, ready-to-limit conservatives stress effectiveness, ease of use, convenience, and effects on women's health. They trust primarily their husband, their mother-in-law, and their doctor to advise them about FP.

To frame, analyze, and prioritize these six nonuser client-based segments, the study used the Process of Behavior Change framework, which categorizes segments by stages of awareness, knowledge, approval, intent, practice, and advocacy of desired behaviors. The study specified recommendations for BCC efforts for each group, including the types of messages needed and the best communications vehicles and messengers needed to deliver those messages.

By using a multidimensional approach that takes into account key drivers of FP demand and use, nonuser segments were brought to life, characterized by their differences in life cycle, lifestyle, and FP values and needs. The analysis and synthesis of these findings provide key inputs for designing more tailored communications approaches to translate latent demand into adoption of FP methods.

6.5 FOCUS ON GEODEMOGRAPHIC CLASSIFICATION FOR DATA-RICH ENVIRONMENTS

In highly developed markets, organizations and companies traditionally utilize more complex datasets to identify promising consumer segments within crowded product markets. Unlike resource-constrained environments in which reliable and up-to-date market data are rarely available, developed countries offer marketers access to detailed information about consumers from a variety of sources such as statistical reports for population projections, total household expenditures, media market guides, retail trade data by subject or geographic area, and housing surveys, as well as census demographics.

Geodemographic classification is one approach that uses extensive databases to create fine-grained profiles of consumer segments for the entire population based on the location of households. One example is the Claritas PRIZM NE system, a clustering application that divides the United States into 66 segments, based on both geographic location and psychodemographic data. (See www.claritas.com)

The PRIZM tool and other geodemographic models are based on the assumption that households sharing similar education, income, life stage, dwelling type, and type of community have similar purchasing habits. The resulting segments are based on three key dimensions: income, age class, and household composition. These shared demographic traits are then linked to product consumption patterns and media habits. Marketers thus have information about where their target markets live, what they buy, and how to reach them.

PRIZM uses memorable segment nicknames, such as the following, to capture the “picture” of the distinct segments and suggest likely purchasing preferences:

City startups: young, low income, no kids, mix ethnicity, likely to play soccer and watch late-night TV

Fast-track families: upscale, middle age with kids, college graduates, own their homes, drive a Dodge Ram, and work in management

Pools & patios: older empty nesters, professional, white or Asian ethnicity, buy 1950s nostalgia music

Case Study American Red Cross: Matching site location to client needs

As a leader in blood collection and safety, the American Red Cross Biomedical Services collects more than 6 million units of blood a year from volunteer donors and provides almost half of the nation’s blood supply to more than 2,500 hospitals through its national network of 35 blood services regions. To improve its ability to retain existing donors and connect with new donor populations, the American Red Cross worked with the Claritas PRIZM system to identify the best fixed site locations and then conduct direct mail campaigns in and around those sites.

Claritas used the PRIZM segmentation system to organize profiles of existing Red Cross customers and organize them in terms of propensity to donate. The Red Cross used the information to identify growth opportunities by segment, identify optimal locations for site growth, and target messages based on donor needs.

For example, in Columbus, Ohio, ZIP codes were ranked based on number of donors, donor retention, and other factors. Once a blood donation site was selected, a direct mail campaign was designed to target the segment profiles with the highest likelihood of donating blood. In the first 12 months, the new locations collected 11 percent more blood than the previous year, with 60 percent of the donors belonging to the target segments.

7. RESOURCES

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