Customer Segmentation

Background

When a worldwide executive search firm was challenged by its Board to grow at a rate exceeding the growth of the retained executive search market overall, senior management identified at least one key challenge to this imperative: Its client retention rate was relatively low.

In order to meet growth goals, our client needed to better understand why clients didn't come back, despite the satisfaction with the work performed that they had expressed to the client in previous satisfaction research. In addition, the search firm had already segmented client attrition information by company size, geography and industry, and found no correlation to any of those factors that would explain the low retention rates.

The Approach

Because typical firmographics did not seem to explain why some companies continued to engage our client and many others did not, CSR designed a study to determine whether attitudes and beliefs could explain the differences. We designed what we call a "needs-based" segmentation.

As a first step, we conducted over 200 in-depth, 45-minute telephone interviews with HR executives to better understand the reasons that our client had or had not been re-hired. The retention question, however, formed only part of the interviews conducted with prospects, clients and former clients. We also asked:

- Expectations of and experiences with retained executive search firms

- Retention criteria regarding retained executive search firms

- Recommendations for improvement in services

The next step involved CSR's use of its proprietary content coding and analysis techniques to create a quantitative database of the responses from these qualitative interviews. Through this process, we were able to determine that demographics or behaviors did not explain why people became customers of our client, nor why so many had terminated their relationships with our client. What did become clear, however, in comparing information regarding client expectations of and experiences with a number of executive search firms, was that our client was not performing at the

same level on a number of key measurement criteria as was its competition. In some cases, our client was not even aware that its customers were assessing its performance based on these standards.

In the final phase, we used factor analyses and other techniques to create a "needs-based" segmentation. This analysis clearly showed that clients and prospects were differentiated most strongly by their beliefs about what retained executive search services were good for and by what they needed and expected from the search services they bought. By understanding these key differentiation points, our clients' sales, service, and retention strategies could be made more efficient and effective.

Results

CSR's delivery of responses to in-depth questions and a needs-based segmentation was a powerful combination for our client. So this company could better identify top prospects, CSR crafted six key questions for our client's sales representatives to ask during sales calls, the answers to which would place the sales target in one of the needs-based segments. This allowed this company to link its strategy, service, and implementation to true demand and identify prospects that were the best match to its service and delivery model. In the years following our research, our client's retention rates steadily climbed and it delivered on the Board imperative to grow at a faster rate than that of the overall executive search market.