

Most organisations have realised the importance of segmenting their customers. They recognise that the buyers of their products and services are not a homogenous group and have different needs, preferences and behaviours. As organisations can't cater for individual characteristics they group customers into segments based on commonalities. This allows them to better match (amongst other things) their customer requirements in terms of products and services, marketing and communications, which ultimately leads to improved profits and growth.

Very few organisations acknowledge that the same principles apply to their employees. They fail to recognise that not all employees share similar interests, values and behaviours or are motivated or engaged by the same things at work. Some organisations simply look at what is engaging or motivating different demographic groups or a business area, which also assumes that people falling into the same areas are all driven or engaged by the same things.

Today organisations are operating in a global, competitive and constantly changing environment. Not only is the economic and political environment constantly changing but so is the social environment, with changes in lifestyle and the labour market. In today's society, people have abandoned organisational loyalty and consider personal gain and development of their own skills and abilities their only way to survive challenging times. If organisations are trying to deliver high levels of service to their external customers and improve

loyalty, they must begin by meeting the needs of their internal customers (i.e. their employees). Companies need to cultivate a strong internal brand, sell themselves to their employees, treat them as customers and provide an offer that will drive and engage each employee segment.

It's important when implementing employee segmentation to use a tool that not only identifies demographic profiles but also drivers and motivational aspects. As with customer segmentation, organisations will not be able to meet the needs of each and every individual, therefore segmentation is a compromise and allows organisations to capture the drivers of engagement for a number of manageable segments. A small number of segments (around five or six) should capture the drivers of different employee groups within an organisation.

Once segments have been defined the next stage is to evaluate what is driving each one. You'll find that some factors may be important across all segments, such as communications, whilst others will be much more important for particular segments (for example challenging work, work-life balance etc).



# viewpoint

It's important to ensure that a practical segmentation is undertaken that does not differentiate between individual employees. Otherwise issues can arise due to employees perceiving that they are getting differential 'treatment'. Also, quite often organisations pick up on the concept of employee segmentation, manage to segment their employees but not in a way that can be used to target employees once the segmentation is complete (for example segmentations based on preferences only – without demographics). Ideally a combination of demographics, lifestyle and work preferences should be used. This allows individual employees to be assigned to segments based on information that is universally available for them (typically HR information).

Today's competitive global market environment brings steadily increasing pressure to improve return on investment (ROI). In the push for improvement, an organisation's biggest investment and its primary asset is its people. Segmenting people based on their demographics and employment preferences has many benefits. Using a practical approach allows organisations to utilise different strategies to fully engage all people across an organisation and manage their talent. It takes very little investment and often has a very positive impact on the organisation with higher engagement levels, advocacy, loyalty and performance, leading to improved business performance.

Linking each segment to internal and external metrics, i.e. quantifying the relationship between each segment, customer metrics and business performance, provides further strategic direction for an organisation.

Conducting an Employee Segmentation can:

- Lead to better management and communication with internal and external stakeholders.
- Improve Employee Engagement and internal customer satisfaction across the organisation, divisions, functions and teams.
- Help build a more flexible organisation that is able to manage change effectively.
- Lower levels of absenteeism, sickness and employee turnover.
- Improve internal and external brand leading to employee and customer advocacy, retention of talent and attraction of future talent (employer of choice).
- Improve external customer satisfaction levels, take-up of products and services, loyalty and advocacy.

**Sukhi Ghataore**  
Consultant  
+44 (0)20 7890 9313  
[sukhi.ghataore@gfk.com](mailto:sukhi.ghataore@gfk.com)

GfK