



Bonamy Finch

White Paper Series

Introducing SENS: Segmentation Evaluation Net Score

If you are a regular reader of our blog, you will know that we have run a lot of segmentations (over 600 in 40+ categories at the last count). One thing that has always struck us as seriously remiss within segmentation is the absence of simple to interpret, meaningful statistical measures of whether or not a particular solution is *any good*. That is, something that we can communicate clearly and quickly to clients, and that will help them, you and us to choose between solutions. To be clear from the outset, we are not suggesting that a segmentation solution should be chosen solely on the basis of these type of measures - just that these should be used to help inform such decisions.



We are not completely without statistical indicators of the properties of a segmentation. *Discriminant reliability* is perhaps the main one analysts look at – and occasionally mention to clients (it’s a percentage, so straightforward to communicate). Another is *Sum of Squares*, which though well founded, involves long division to deliver a ratio that is not that meaningful to many people. So the first measure, Reliability, is useful (though not necessarily in isolation), but communicated only sporadically, and the second, Sum of Squares, is often perceived as arcane and so largely ignored.

Our experience at Bonamy Finch has put us in a unique position to address this shortcoming in segmentation analysis and interpretation. To this end we have drawn from our database of projects to develop a concise set of measures of how good a segmentation actually is. Reflecting the need to make analysis more accessible in general, these measures are then combined to form a single score. Each segmentation solution is compared with the others we have developed for your project, and with the other segmentations in our database. With these measures at your disposal, you can quickly make better informed decisions about what solutions to review in depth before making recommendations to your client.

Is the segmentation statistically robust?

Reliability



Do the segments genuinely stand for some things and against others?

Response Bias Freedom



Are the things the segment stands for also important to them in absolute terms?

Reportability

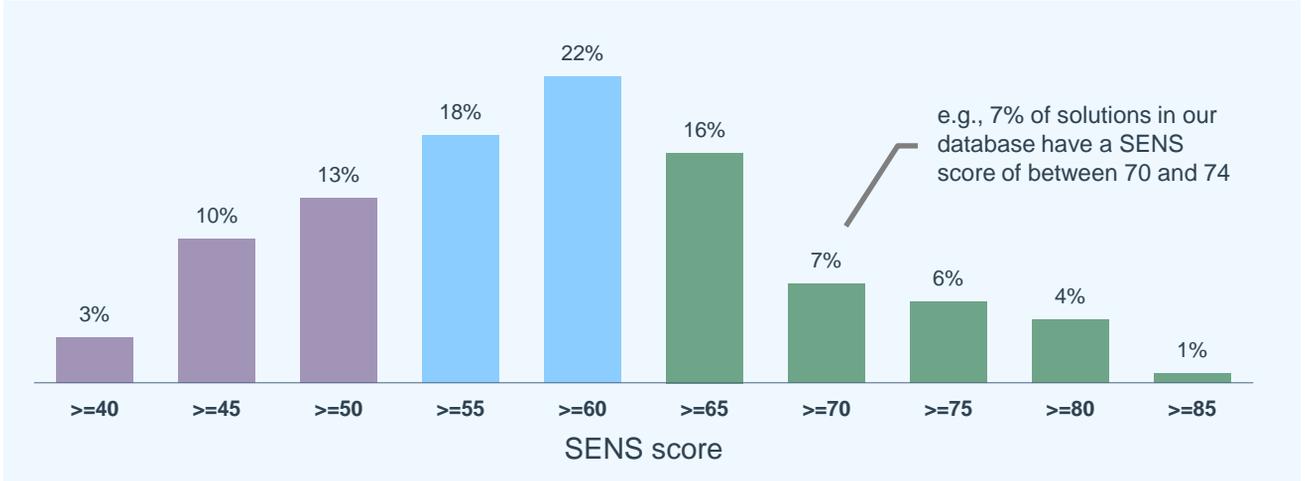


So how do we tell how good a segmentation actually is?

There’s no point building a business strategy on a house of cards, so a segmentation has to be statistically robust. This is important - but it’s also surprisingly easy for most segmentations to reach a good level of statistical **Reliability**. So a winning segmentation must be much more than this: and after having created more than 600 of them, our experience tells us that what really makes a segmentation successful within an organisation is whether the segments themselves *tell a good story*. There are two fundamental indicators of this. First, does each segment clearly stand out on some things, as opposed to nothing or everything? Second, are the things they stand out on actually important to what they do in the category? We call these two dimensions **Response Bias Freedom** (i.e., we see clear stand out that is not an artefact of a certain response bias), and **Reportability** (i.e., the segments are internally consistent in terms of what is important to them and what they stand out on, and therefore easy to report on). These three dimensions of *what makes a good segmentation* are summarised above.

These dimensions tell us a lot (quickly) about what solution(s) from a wider range are the most promising, and so we now produce these as standard output for all our segmentation ranges. The absolute scores on these dimensions might not be so meaningful to you to begin with, so each is also benchmarked against our database (telling you what % of solutions each is better than).

To go even further in simplifying the task of choosing between multiple solutions, we then apply a standard weighting scheme to the three indicators to produce a single overall score. We call this the **Solution Evaluation Net Score** (SENS of course!). The chart below shows the SENS ratings for a wide range of solutions from our overall database.



One of our key success criteria when we started this development work was that our overall rating measure, the SENS, should show clear discrimination between solutions: that is, the good ones should clearly score high, and the bad ones should be clearly low. The distribution chart above shows that the SENS achieves this aim. Scores generally range from 40 to 90 (with a potential maximum of 100), with the top 34% of solutions scoring 65 or over.

Summary



At Bonamy Finch we are always looking for ways to develop our thinking, our techniques, and our outputs to you. Providing these three simple measures and an overall evaluation score of *how good a segmentation is*, represents a significant development within this most strategic area of advanced analytics.

We recently launched an updated Segment Profiler tool (with a graphics module to again make your task of comparing and selecting segment solutions more straightforward). Our indicators of how good each solution is are now incorporated into this tool, alongside the overall SENS rating. We also include normative benchmarks from our database.

Please call us if you are interested in finding out more about the SENS, and how to use it to make better business decisions.

Coveham House
Downside Bridge Road
Cobham, Surrey
KT11 3EP

+44 (0)1932 808295

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