

(BIG) Data Analytics for Businesses

What is Segmentation?

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- Process of categorizing observations into groups for the purpose of focusing on where value is being created and could be captured
- Primary **OBJECTIVE:** Driving business efficiency, effectiveness, and profitability by aligning the business with the needs of strategically defined customer groups
- Helps **ANSWER** the **who, what, when, where, why, and how** of current and potential customers.

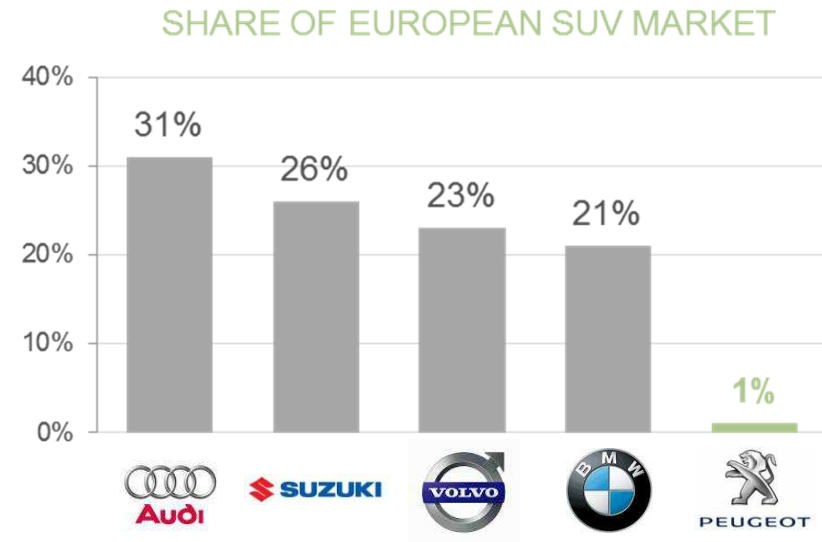
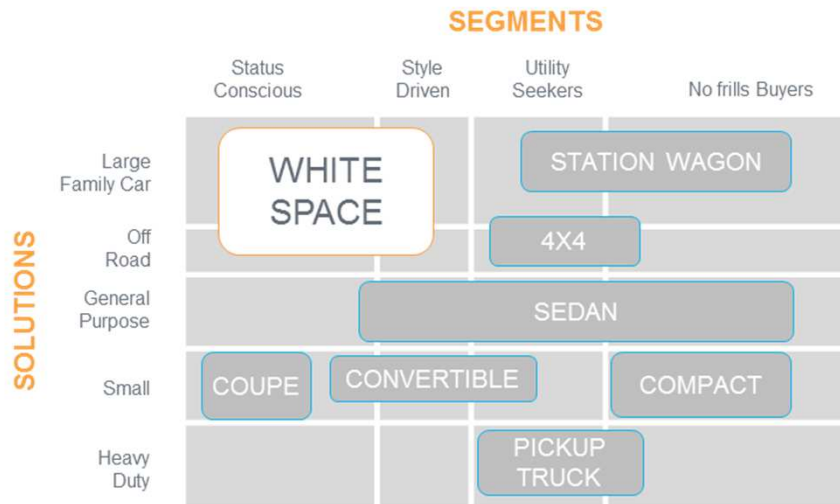
Why Segmentation?

SEGMENTATION is a critical enabler to achieve business objectives and realize benefits

- **SEGMENTATION** is critical to identify white spaces for new products/offerings
- **SEGMENTATION** helps organizations to optimize their retention and acquisition strategy
- **SEGMENTATION** is often used to optimize pricing across different products and segments
- **SEGMENTATION** enables organizations to become more customer-centric
- **MARKET DYNAMICS** make segmentation critical to business success.

How a customer segmentation led to a new product category in the automotive sector

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With a tradition of producing small and mid-size general-purpose cars, Peugeot's conservative European focus made it blind to the shift in global customer demand.

As a result, the Peugeot was one of the last of the big carmakers to enter the market. With SUVs currently making 10% of European car sales and growing, this was a big mistake for Peugeot, who now only has 1% market share and has suffered a double-digit global sales decline over the past five years.

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How a customer segmentation led to new value propositions

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Created a segmentation to understand the nuanced needs, attitudes and behavioural

Used the different customer segments to develop tailored value propositions.



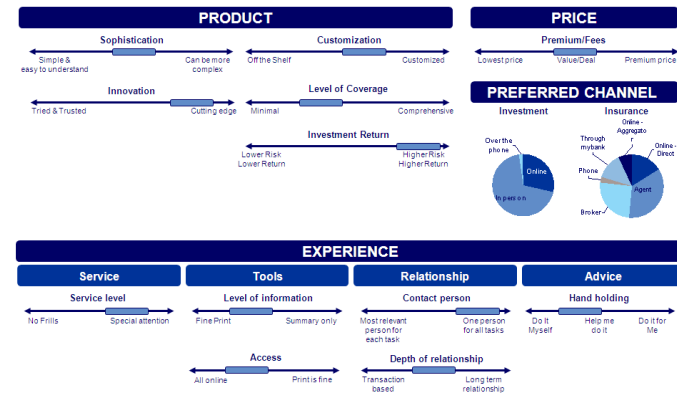
LifeED

Identified HelpPoints that could create sustainable differentiation that would be difficult to compete away.



eValue

Segment 1, Confident Controllers



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How a customer segmentation led to an optimized pricing strategy

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	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
Brand					
Internet/ Wi-Fi	Free basic wi-fi	Free high-speed wi-fi	High speed wi-fi for fee	Free hi-speed wi-fi	Basic wi-fi for a fee
Breakfast	Fresh prepackaged	Fresh continental	None	Hot breakfast	Hot breakfast
Housekeeping	Daily	Weekly	Weekly with towel service	Daily	Daily
Price	\$75.00	\$60.00	\$60.00	\$90.00	\$100.00
Lobby/ Common Area	Limited common area	Spacious lobby w/ ample seating	Limited common area	Spacious lobby w/ ample seating	Spacious lobby w/ ample seating
Hotel Corridor	Interior	Exterior	Interior	Exterior	Interior
Laundry	None	On-site facility	Drop-off service	Drop-off service	On-site facility
Kitchen	None	Microwave, refrigerator, range	None	Fully equipped kitchen	Microwave and mini fridge
Reward Program	None	Points for free nights	Points for upgrades/amenities	Gift card rewards	Points for free nights
1-6 Night Stays	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
15+ Night Stays	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



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What do you think is the industry we are looking at?

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How a customer segmentation led to an optimized portfolio

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CAESARS



Harrah's



HORSESHOE

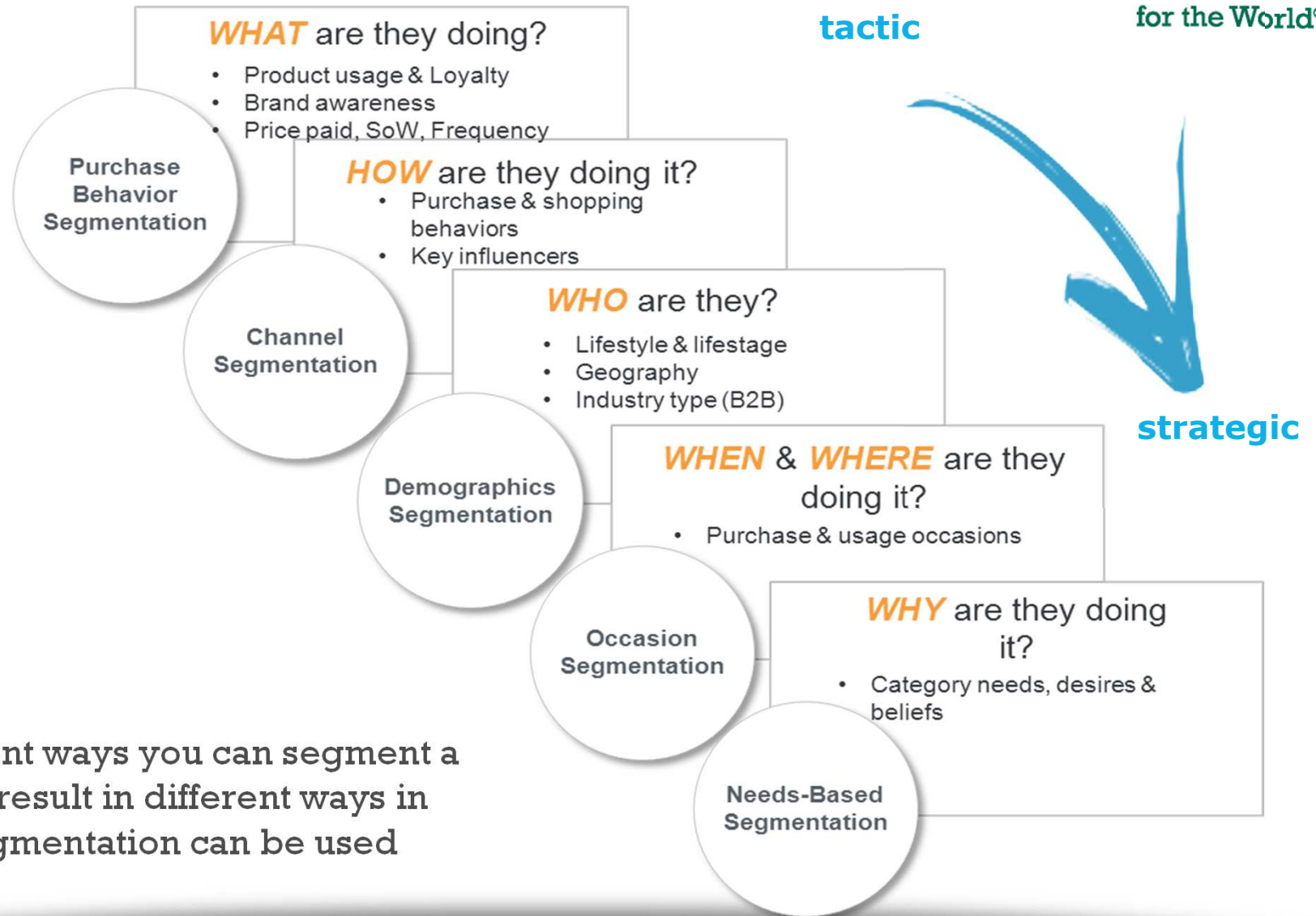


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Different Types of Data Used

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There are different ways you can segment a market, which result in different ways in which the segmentation can be used

Often different data sources will be combined in one segmentation

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Primary Data (Qual and Quant)

Sample variables:

- Behavioral
- Satisfaction
- Preferred communication channels
- Preferred engagement level
- Attitudes about the industry

Customer Data

Sample variables:

- Product/Service Usage
- Subscription
- Features usage
- Social Network integration
- Demographics
- Acquisition channel

3rd Party Data

Sample variables:

- Lifestyle
- Behavioral
- Demographics



What we will cover in the next 2 sessions?

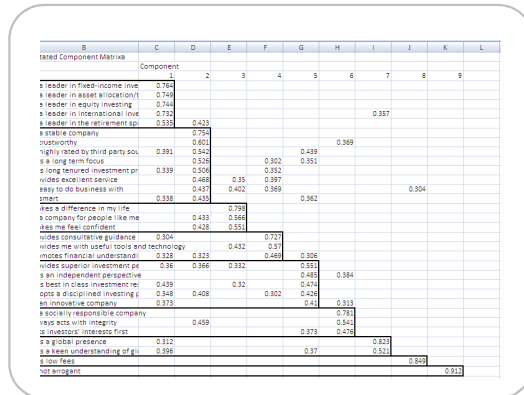
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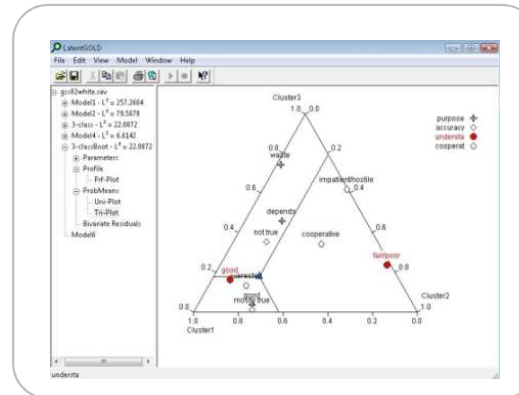
Data Processing/
Factor Analysis

Cluster analyses

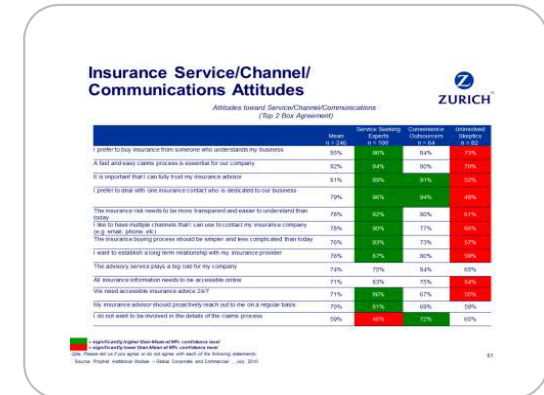
Review and refine



Reduces number of variables by assessing and eliminating those which are saying the same thing



First iterations: we look for the best solutions, that minimize differences within segments, but maximize differences between segments



Arriving at the final segmentation solution involves a process of reviewing and refining latent class outputs and different solution profiles

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