**SUMMARY REPORT**

**STEPS 1, 2, 3, AND 5**

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**Step 1: Deciding (not) to Segment**

**Implications of Committing to Market Segmentation:**

Market segmentation is a significant marketing strategy, but it's not always the best choice. Committing to market segmentation requires long-term dedication and substantial investments. Potential changes include product development, pricing adjustments, and restructuring internal organization. The decision to pursue market segmentation should involve top-level executives and continuous communication across all levels of the organization.

**Implementation Barriers:**

Lack of leadership and commitment from senior management can hinder successful implementation. Organizational culture, including resistance to change and lack of market orientation, can be barriers. Insufficient training and expertise in market segmentation can lead to failure. Lack of formal marketing function or qualified experts, as well as financial constraints, can impede progress. Process-related barriers such as unclear objectives, poor planning, and time constraints can affect outcomes. Making market segmentation analysis understandable and presenting results clearly can help overcome resistance.

Overall, the decision to pursue market segmentation should be carefully considered, taking into account organizational readiness and potential barriers to implementation.

**Step 2: Specifying the Ideal Target Segment**

**Segment Evaluation Criteria:**

User input is crucial throughout the market segmentation analysis process. Step 2 involves defining segment evaluation criteria, including knock-out criteria and attractiveness criteria. Knock-out criteria are essential features that segments must possess, while attractiveness criteria are used to assess the relative appeal of segments. Various criteria proposed in the literature are considered, including factors like size, growth potential, profitability, accessibility, and compatibility with organizational strengths.

**Knock-Out Criteria:**

Knock-out criteria are non-negotiable attributes that segments must meet to be considered. Examples include homogeneity, distinctiveness, size, compatibility with organizational strengths, identifiability, and reachability. These criteria help determine if segments are viable options for further consideration.

**Attractiveness Criteria:**

Attractiveness criteria are used to evaluate segments relative to each other. Segments are rated based on factors such as market potential, competitive advantage, profitability, and compatibility with organizational objectives. Segments are not assessed as binary but are rated on a scale of attractiveness.

**Implementing a Structured Process:**

A structured process is recommended for evaluating market segments. This involves using tools like segment evaluation plots to assess segment attractiveness and organizational competitiveness. Criteria for segment attractiveness and competitiveness should be negotiated and agreed upon by a team representing different organizational units. Including representatives from various units ensures diverse perspectives and stakeholder involvement. Defining attractiveness criteria early in the process facilitates data collection and target segment selection later on.

By the end of Step 2, the market segmentation team should have a clear understanding of the criteria used to evaluate segments and have established a structured approach for segment assessment. This lays the groundwork for further analysis and target segment selection in subsequent steps.

**STEP 3: Collecting Data**

**Segmentation Variable:**

Empirical data is essential for market segmentation. Commonsense segmentation uses a single variable like gender, while data-driven segmentation employs multiple variables. Data-driven segmentation aims to group individuals based on shared characteristics like vacation preferences.

**Segmentation Criteria:**

Organizations must choose a broader criterion for segmentation, considering factors like profitability and consumer behaviour. Common criteria include geographic, socio-demographic, psychographic, and behavioural factors.

**Geographic Segmentation:**

Divides consumers based on location, useful for targeted communication and selecting channels. Limitations include diversity within geographic areas.

***Socio-Demographic Segmentation:***

- Uses factors like age, gender, income, and education. Widely employed but may not fully explain consumer behaviour.

***Psychographic Segmentation:***

- Groups based on psychological factors like beliefs and interests, providing deeper insights but requiring multiple variables.

***Behavioural Segmentation:***

- Segments based on actual behaviours, offering insights into consumer preferences.

**Data from Survey Studies:**

Market segmentation usually uses survey data, which is cheap and easy to get. But there can be problems with survey data because people might not always answer truthfully. This can make the results less accurate. Here are some important things to think about when using survey data:

***Choice of Variables:***

- Crucial for segmentation quality; including all relevant variables is important while avoiding unnecessary ones.

***Response Options:***

- Impact the scale of data; binary options are ideal.

***Response Styles:***

- Biases in survey responses can affect segmentation results and need to be addressed.

***Sample Size:***

- Quality depends on factors like sample size and data quality; a larger sample size generally leads to more accurate results.

**Data from Internal Source:**

- Represents actual behaviour but may be biased towards existing customers.

**Data from Experimental Studies:**

Experimental studies involve conducting tests or experiments to gather data for market segmentation analysis. These studies can take place in real-life settings or controlled laboratory environments.

For example, researchers might test how people react to different advertisements. The way people respond to these ads can be used to group them into segments based on their preferences.

Another type of experimental data comes from choice experiments or conjoint analyses. In these studies, consumers are presented with different product options that vary in specific attributes, like price or features. Consumers then choose which product they prefer, providing insights into their preferences.

The information gathered from these experiments helps identify which product attributes are most important to consumers. This data can then be used as a basis for segmenting the market, helping companies understand what different groups of consumers value in products.

**Step 5: Extracting Segments**

**Abstract**

Involves identifying distinct groups within a market based on shared characteristics or behaviours. Abstract segmentation focuses on understanding consumer needs and preferences to create targeted marketing strategies.

This chapter focuses on the task of grouping consumers and, in so doing, revealing naturally existing or creating artificial market segments. The chapter covers algorithms falling into three categories: distance-based methods, model-based methods, and algorithms integrating variable selection with the task of extracting market segments. In addition, data structure analysis is introduced. Data structure analysis provides insight into whether the resulting market segments are naturally occurring in the market; created but stable; or created and unstable across repeated calculations. A series of questions are included in a checklist to assist with the implementation of this step.

**Grouping Consumers:**

* Involves categorizing consumers into segments based on similarities in demographics, psychographics, behaviour, or other relevant factors.
* Helps in identifying homogeneous groups with common needs and preferences.

**Distance-Based Methods:**

* Utilize mathematical distances (e.g., Euclidean distance, Manhattan distance) to measure the similarity between consumers or data points.
* Clustering algorithms like k-means, hierarchical clustering, and DBSCAN are commonly used distance-based methods.

**Model-Based Methods:**

* Employ statistical models to identify segments within a market.
* Techniques like latent class analysis (LCA), finite mixture models, and probabilistic models are used to uncover underlying segment structures.

**Algorithms with Integrated Variable Selection:**

* Combine segmentation algorithms with variable selection techniques to identify the most relevant attributes for segmenting consumers.
* Helps in focusing on the most influential factors that differentiate consumer groups.

**Data Structure Analysis:**

* Examines the inherent structure of data to uncover natural groupings or patterns.

Techniques like principal component analysis (PCA), factor analysis, and multidimensional scaling (MDS) are used to understand the underlying data structure and aid in segmentation analysis.

**Link For GitHub:**

<https://github.com/ABHISHEkAPG/Feynn-Labs-Internship-2024/blob/main/Project%202.0%3A%20Market%20Segmentation%20Case%20Study/Code.ipynb>