

MARKET SEGMENTATION ANALYSIS

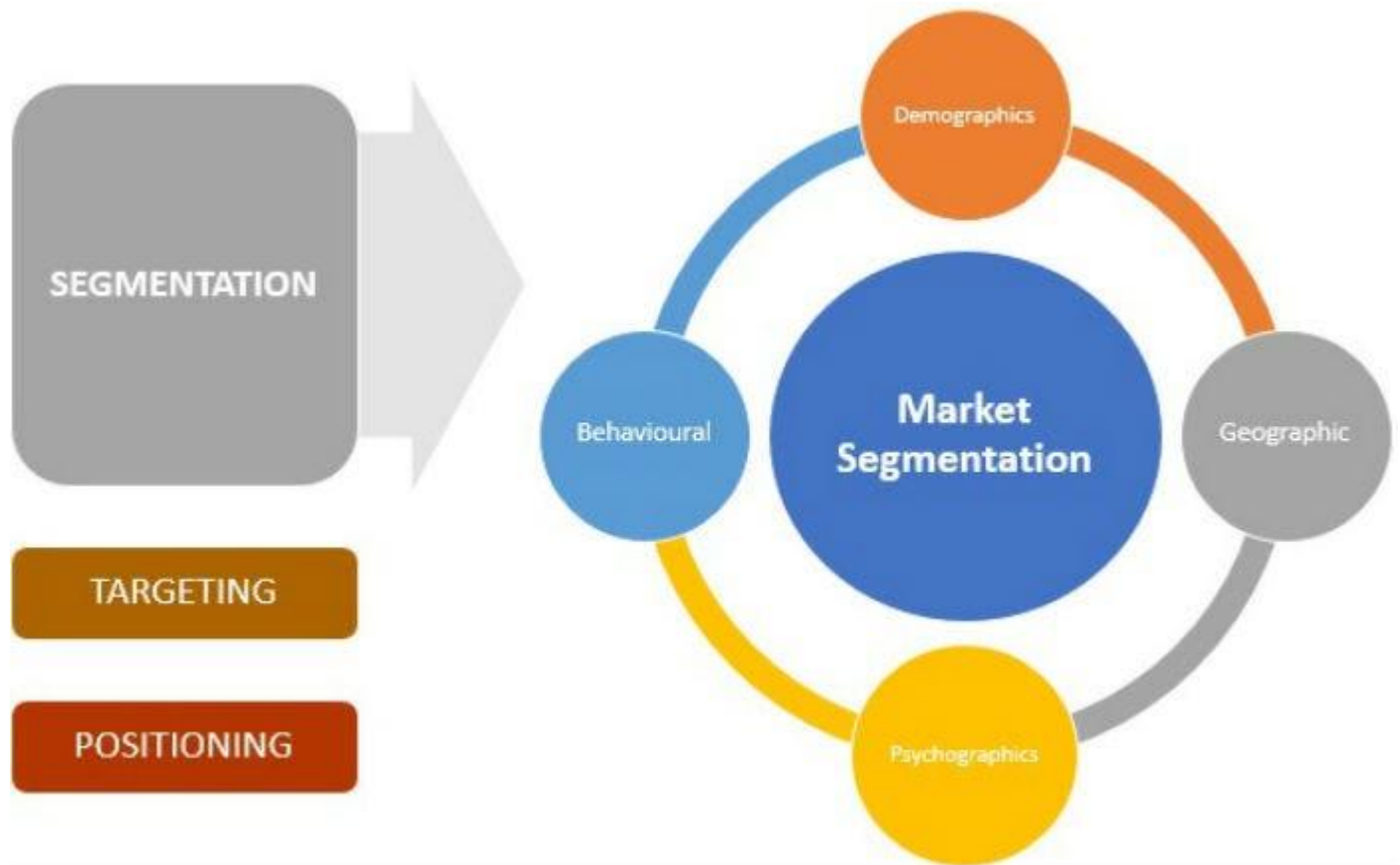
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Introduction :

Market segmentation is strongest and efficient strategy for success. It is simply defined as well defined criteria to divide a product's total market shares into groups,so each group/segment has special focus and target. Market segmentation needs to satisfy the customer needs. To impliment market segmentation its require the investment from the company to do marketting analysis and startegies for the success.



Several types of market segmentation makes it easier way to get success. Such as Geographic(grouping customers by the areas), Demographic(grouping customers by age,education,income etc), Behavioral(grouping customers by actions), Psychographic(grouping customers by their beliefs,values,lifestyles etc).



Having some particular characteristics makes market segmentation effectively, such as are Viable, Accessible, Quantifiable.

Market segmentation analysis step by step :

To understand the market segmentation there is step by step analysis.

Step 1: Deciding (not) to segment

Before stepping into market segmentation need to understand its strategies and implications from saving wastage of resources and time. The organisation have to commit to the long term segmentation strategy. Market segmentation is not at all free, it costs for resources, advertisements, research and many.

There are some main barriers to delay the success of the organisation in a market segmentation strategy. The first part of barriers is related to Senior management, in it one is pro-active championing, no proper leadership etc can decrease the success of the organisation. The other part of barriers relates to organisational culture, lack of creativity, new ideas, having no proper communication office politics have been noticed as preventing the successful application of market segmentation. Another problem here is lack of training, proper training on the market segmentation strategies is mandatory. If we don't understand the very basics and consequences of market segmentation it going to be failure for sure. A qualified and knowledgeable person on marketing and its segmentation is an major advantage for the organisation.

One more problem is having unsufficeint funds and resources to make the changes. So an

organisation with limited resources need to be perfect while choosing the opportunities. These barriers are noticed while studying the market segmentation analysis.

- Market Segmentation is basically dividing needs of market on time and resources available and predicting the future implementations.
- The key point for the segmentation is, it has to be suitable for long term market needs.
- When market Segmentation is to be done then there are many expenditures on research, surveys, design package, designing advertisements.
- Always find the more profitable and long term ideas for the market Segmentation.
- In organisation they need to maintain correct balance of profit even though there is expense on the new products, modification of old products or changes in the cost of the product.
- There are some implementation barriers present in the market segmentation strategy such as lack of leadership from the senior level management or they are unable to upgrade themselves for the updation and changes in the technology and the market.
- Next barrier is related to organisational culture. Which will be generated by lack of resources, lack of new ideas, lack of creative thinking, due to lack of communication, short-term thinking, unwilling to upgrade to the changes in the market.
- There is one more barrier which causes due to the lack of training. If the people handling the market segmentation don't have enough knowledge of market then definitely market segmentation strategy will fail.

Step 2: Specifying the Ideal Target Segment :

To produce results, the customer needs are the main and its involvement in every stage is important. After making perfect plan according to the step 1, then organisation need to involve in step 2 of market segmentation. In step 2 the organisation have to determine couple of segment evaluation criteria. One is knock-out criteria and second one is attractiveness criteria.

Knock -out criteria

This criteria used to evaluate market segmentation analysis qualify accessed by using the second segment attractive criteria. The primary set of criteria includes substantiality, measurability and accessibility. There are some other knock-out criteria, they are

1. The segment should be Homogeneous.
2. The segment must be distinct.
3. The segment must contain enough customers.
4. The segment must be reachable to the customers.
5. The segment must have the capacity to satisfy the segment member's needs.

Senior management, the segmentation team and the advisory committee must understand this knock-out criteria for market segmentation success.

Attractiveness Criteria

Attractiveness Criteria is to consider which attractive criteria matches the organisation according to their preferences and sources. Every market segment is rated, means it can be less or more attractive point to mention. So choosing attractiveness criteria based on the organisation is also plays an important role in market segmentation.

Step 3: collecting data

- Collecting the data of the user is also one the important task in the market segmentation strategy.
- Segmentation variable contains values of various types of the data which is related to the needs and informations of consumer.
- This empirical data can be extracted from the various range of sources, from survey studies, from observations.
- Before collecting data, organisation has to make most important decision that, which criteria is to be used for segmentation criteria.
- Segmentation criteria are done based on geographic, socio-demogralhic, psychologic and behavioral.
- Geographic segmentation is based on the needs of the consumer at perticular geographical area.
- Socio-demogralhic segmentation is based on the age, gender, income and education,
- Psychologic segmentation refers to the beliefs, interest, preferences of the consumers. This type of segmentation is more critical than the above two.
- Behavioural segmentation is done by searching the similar behavioural natured people. This type os data is not readily available.
- Data from survey studies is more cheap and easy to collect. This includes choices of variables, response options, response styles and sample size.
- Now a days organisations have access to substantial amount of internal data that can be used in the market segmentation analysis.
- Some of the data also can be collected by doing the experimental studies.
- Then the third checklist can be made based on the Segmentation team meeting, consumer characteristics, selection of data collection criteria, collecting data.

Step 4: Exploring Data

After data collection, exploratory data analysis cleans and – if necessary – preprocesses the data. This exploration stage also offers guidance on the most suitable algorithm for extracting meaningful market segments.

Data Identification and Collection:

Clearly define the objectives of your market segmentation analysis.

Identify the specific data points needed for segmentation based on criteria such as demographics, psychographics, behavior, or geography.

Collect data through various sources, including surveys, interviews, customer databases, and external data providers.

Data Cleaning and Preprocessing:

Clean the collected data to remove errors, duplicates, and outliers that could skew the analysis.

Handle missing data by imputing values or using appropriate techniques.

Standardize and format the data consistently for accurate analysis.

Descriptive Statistics:

Use descriptive statistics to understand the basic characteristics of the data.

Calculate measures such as mean, median, mode, range, and standard deviation to gain insights into the distribution of data.

Exploratory Data Analysis (EDA):

Conduct EDA to visually explore the data and identify patterns, trends, and relationships.

Utilize tools such as histograms, scatter plots, and box plots to visualize the distribution of variables and potential correlations.

Segmentation Variables Analysis:

Analyze the distribution and variability of each chosen segmentation variable.

Identify key segments within each variable and understand the characteristics that differentiate them.

Correlation Analysis:

Explore correlations between different segmentation variables to identify any relationships or dependencies.

Determine whether certain variables tend to co-occur, providing additional insights into potential segmentations.

Cluster Analysis:

If applicable, perform cluster analysis to group similar data points together.

Utilize techniques like k-means clustering or hierarchical clustering to identify natural groupings within the data.

Factor Analysis:

Conduct factor analysis to identify underlying factors that may be driving patterns in the data.

This helps uncover latent variables that explain observed correlations among variables.

Segmentation Profiling:

Develop detailed profiles for each segment based on the analyzed data.

Describe the characteristics, preferences, and behaviors of individuals within each segment.

Visualization of Segments:

Create visual representations, such as pie charts or bar graphs, to illustrate the proportion of the market represented by each segment.

Visualize the characteristics that distinguish one segment from another.

Validation and Iteration:

Validate the identified segments using statistical methods or by comparing against external benchmarks.

Iterate on the segmentation approach if needed based on insights gained during the data exploration process.

Documentation:

Document the findings of the data exploration process, including key insights, patterns, and potential segmentations.

Ensure that the documentation is clear and accessible for use in subsequent stages of the market segmentation strategy.

Step 9: Customising the Marketing**Product Customization:**

Features and Attributes: Modify or enhance product features to align with the unique preferences and requirements of each segment.

Branding: Consider creating sub-brands or product lines tailored to the distinct needs of different segments.

Pricing Strategies:

Value-based Pricing: Set prices based on the perceived value of the product or service within each segment.

Discounts and Bundling: Offer segment-specific discounts or bundle products/services in a way that appeals to the purchasing behavior of each segment.

Distribution Channels:

Preferred Channels: Identify and leverage the distribution channels preferred by each segment.

Geographic Considerations: Adjust the distribution strategy based on the geographic locations or preferences of different segments.

Promotional Strategies:

Message Tailoring: Craft marketing messages that resonate with the unique needs, values, and preferences of each segment.

Media Selection: Choose advertising channels and platforms that are most effective for reaching each segment.

Promotions and Sponsorships: Align promotional activities and sponsorships with the interests of specific segments.

Communication Channels:

Digital vs. Traditional: Recognize the channel preferences of each segment, whether they are more responsive to digital, traditional, or a combination of both.

Content Personalization: Develop content that speaks directly to the concerns, aspirations, and interests of each segment.

Sales and Customer Service:

Training and Knowledge: Equip sales and customer service teams with the knowledge and skills to understand and address the unique needs of each segment.

Communication Styles: Adapt communication styles to match the preferences of each segment.

Packaging and Presentation:

Design Aesthetics: Customize packaging designs to align with the visual preferences of each segment.

Information Emphasis: Highlight product information that is most relevant and appealing to each segment.

Cultural Considerations:

Cultural Sensitivity: Ensure that marketing materials and strategies are culturally sensitive, considering the diverse backgrounds of each segment.

Local Adaptations: Make adjustments to marketing campaigns to align with local customs and traditions.

Feedback Mechanisms:

Segment-specific Feedback: Establish mechanisms for collecting feedback from each segment separately.

Responsive Adaptation: Use feedback to adapt and refine marketing strategies for each segment in real-time.

Monitoring and Evaluation:

Segment-specific KPIs: Define key performance indicators (KPIs) tailored to each segment to measure the effectiveness of marketing efforts.

Regular Evaluation: Continuously monitor and evaluate the performance of customized marketing strategies for each segment.

Competitive Intelligence:

Segment-specific Competition: Understand how competitors are approaching and serving each segment.

Differentiation Strategies: Ensure that your customized strategies provide a unique and competitive advantage within each segment.