Marketing planning involves a sequence of activities to set objectives and develop plans to achieve them. It consists of a strategic plan, which outlines the long-term direction of an organization, and a tactical plan, which provides detailed instructions for short-term marketing actions. The strategic plan defines goals and reasons, while the tactical plan specifies how to reach those goals. Marketing planning is compared to a hiking expedition. Just like planning a hike, marketing planning involves organizing a map, identifying the current location, and deciding which mountain to climb. Choosing the mountain is a strategic decision that influences all subsequent decisions. Once the strategic decision is made, tactical decisions such as footwear, timing, and supplies can be determined. These tactical decisions are crucial for a safe expedition but are dependent on the strategic decision of which mountain to climb. The development of an organizational marketing plan is similar to preparing for a mountain climbing expedition. It involves conducting a SWOT analysis to identify strengths, weaknesses, opportunities, and threats. Market research is used to understand consumer needs and desires. The strategic marketing plan focuses on segmentation, targeting, and positioning decisions. The tactical marketing plan covers product development, pricing, distribution channels, and promotion. The tactical plan depends on the strategic plan, which determines the long-term direction. Good strategic and tactical marketing lead to the best outcome, while bad strategic or tactical marketing can result in failure.Market segmentation is a crucial tool for marketing managers to select a target market and design an appropriate marketing mix. It involves dividing a heterogeneous market into smaller, homogeneous markets based on consumer characteristics or segmentation criteria. By understanding the distinct needs and preferences of different market segments, companies can tailor their products and marketing efforts to effectively satisfy customer demands. Market segmentation enables businesses to focus their resources and develop a competitive advantage by catering to specific segments. It offers two main strategies: concentrated strategy (targeting one segment exclusively and differentiated strategy (targeting multiple segments with customized products and marketing. Choosing not to use market segmentation results in an undifferentiated market strategy, where the same product is marketed to the entire market. Market segmentation offers several benefits for organizations. Firstly, it forces organizations to evaluate their position and goals, leading to insights into their competitive advantages and consumer preferences. It promotes critical thinking and generates new perspectives. Secondly, effective market segmentation improves the alignment between organizational strengths and consumer needs, which can result in long-term competitive advantages and even market dominance in niche segments. Additionally, market segmentation allows for a better return on investment by focusing marketing efforts on the segments that can be satisfied by the organization's offerings. For small organizations, targeting distinct needs of a small group of consumers can be crucial for survival due to limited resources. Market segmentation also facilitates sales management by enabling targeted sales efforts. Finally, at the organizational level, market segmentation can contribute to team building, as it requires collaboration among different units, leading to improved communication and information sharing. Implementing market segmentation requires a significant investment of time, human resources, and finances. Conducting thorough market segmentation analysis involves the dedication of a large number of people. If a segmentation strategy is pursued, additional resources are needed to develop and implement a customized marketing mix. Continuous evaluation and monitoring of the segmentation strategy further require ongoing resource commitment. These investments are made with the expectation of a return on investment. However, if market segmentation is not executed well, it can result in a waste of resources and no additional benefits. Failed segmentation strategies can lead to expenses without generating any returns and may also demotivate staff involved in the process. Therefore, organizations must carefully consider whether to embark on the journey of market segmentation analysis and strategy implementation.

**Part 2:**

Dibb and Simkin (2008) identify three approaches to market segmentation: quantitative survey-based segmentation, creating segments from existing consumer classifications, and the emergence of segments from qualitative research. The most radical approach is the "segment revolution," where the organization starts from scratch and develops an entirely new marketing plan based on segmentation analysis. However, this approach may not always be viable due to organizational constraints or the satisfactory performance of established segments. In such cases, a "segment evolution" approach can be adopted, focusing on refining and sharpening the existing segments through intra-organizational workshopping. The third approach involves stumbling upon segments through exploratory research or data mining, which can lead to segment mutation or evolution. Continuous tracking of market segments through data analysis allows organizations to adapt their segmentation strategy to ensure survival and prosperity in the face of changing market structures. In market segmentation, different approaches can be categorized based on the nature of consumer characteristics used. One approach involves using a single segmentation variable, resulting in unidimensional segmentation. For example, age groups can be created as segments based on consumers' age. Another approach involves multiple segmentation variables, leading to multidimensional segmentation. For instance, consumer’s expenditure patterns on various vacation activities can be used to identify target segments.When a single segmentation variable is used, it is referred to as a priori, convenience-group, or commonsense segmentation. This approach relies on managerial intuition, analysis of secondary data sources, internal consumer databases, or previously existing segments to group consumers. Commonsense segmentation is often used when the provider of the product has a good understanding of the target segment but seeks deeper insights. Brand segmentation is an example of commonsense segmentation.On the other hand, the proactive approach utilizes multiple segmentation variables and is known as a posteriori, cluster-based, or post hoc segmentation. In this approach, the resulting market segments are determined through data analysis, and the exact profiles of suitable target segments are not known in advance. Data-driven segmentation aims to explore different market segments and develop detailed profiles for targeting.In practice, market segmentation studies often involve combinations of these approaches, either sequentially or simultaneously. Combinations of segmentation variables can be used in two-stage or multi-stage segmentation, where different variables are employed to refine the segmentation. It is recommended to consider such combinations to gain a comprehensive understanding of target segments.The choice of segmentation approach depends on the availability of data, the level of prior knowledge about target segments, and the desired depth of analysis. When conducting data-driven market segmentation, the assumption that naturally existing, distinct, and well-separated market segments can be found in the data is often unrealistic. Instead, a modified view suggests that market segmentation involves creating artificial segments to develop more effective marketing strategies.There are three conceptual approaches to data-driven market segmentation: natural segmentation assumes that distinct segments exist in the data, reproducible segmentation recognizes that natural segments may not exist but some structure allows for consistent segmentation results, and constructive segmentation refers to cases where neither cluster structure nor other data structure exists.Empirical evidence suggests that natural segmentation is extremely rare, with only a small percentage of datasets containing natural market segments. Data structure analysis becomes crucial before extracting segments to understand the presence of structure other than cluster structure.Analyzing data structure beforehand helps avoid methodological errors and misinterpretations. It can be done by repeatedly segmenting the data with different algorithms and segment numbers, assessing the stability of solutions. This analysis guides the choice of the market segmentation approach. The approach to market segmentation should be based on the understanding that natural segments are rarely found, and the focus should be on creating strategically useful segments, even if the data lack inherent structure. Collaboration between data analysts and users is essential in constructing meaningful market segments. The recommended ten-step approach to market segmentation analysis involves:

1)Assessing the pros and cons of segmentation and deciding whether to proceed.

2)Specifying the characteristics of the ideal market segment.

3)Collecting or compiling empirical data.

4)Exploring the collected data.

5)Extracting market segments from the data.

6)Profiling the resulting market segments.

7)Describing the segments in detail.

8)Selecting one or a few target market segments.

9)Developing a customized marketing mix for the chosen segment(s).

10)Evaluating the success of the segmentation strategy and continuously monitoring the segments for potential changes.

**Part 3**

**Segmentation Variables:** segmentation variables are used in market segmentation to divide a sample of consumers into distinct market segments. In commonsense segmentation, a single characteristic, such as gender, is used as the segmentation variable. Other personal characteristics, known as descriptor variables, are used to describe the segments in detail. In data-driven segmentation, multiple segmentation variables are used to identify or create market segments based on shared characteristics. The quality of empirical data is crucial for developing valid segmentation solutions, as it affects the accuracy of segment assignments and descriptions. Empirical data for segmentation studies can be obtained from surveys, observations (e.g., scanner data), or experimental studies, with the goal of reflecting actual consumer behavior. Surveys should not be relied upon solely, as they may not always accurately capture socially desirable behaviors. Exploring multiple data sources is recommended to obtain data that closely aligns with consumer behavior.

**Segmentation criteria:**segmentation criteria refer to the types of information used for market segmentation. The common criteria include geographic, socio-demographic, psychographic, and behavioral factors. The decision on which criterion to use depends on prior knowledge about the market and the specific context. Factors such as profitability, bargaining power, benefit preferences, barriers to choice, and consumer interaction effects are considered relevant in segmentation. It is generally recommended to use the simplest approach that is effective for the product or service. Choosing the segmentation criterion that aligns with the target market and provides the desired outcomes at a minimal cost is key.

**Geographic segmentation :**Geographic segmentation is a common and straightforward criterion used in market segmentation. It involves dividing consumers based on their location of residence. Geographic segmentation is often appropriate when there are practical reasons such as language differences or country-specific variations in offerings, pricing, or purchasing options. It allows for targeted communication and selection of appropriate communication channels for reaching specific geographic segments.However, the disadvantage of relying solely on geographic segmentation is that people living in the same area may not necessarily share other relevant characteristics, such as their preferences for benefits sought when purchasing a product. Factors such as socio-demographics are often more influential in determining consumer preferences. For example, people in luxury suburbs may have similar car preferences due to socio-demographic factors rather than their geographical location.Despite its limitations, geographic information has seen a resurgence in international market segmentation studies that aim to extract segments across different geographic regions. Conducting such studies presents challenges, as the segmentation variables must be meaningful across all included regions, and cultural biases in survey responses from respondents of different backgrounds need to be considered.Socio-demographic segmentation criteria, such as age, gender, income, and education, are commonly used in market segmentation. These criteria can be highly valuable in certain industries, such as luxury goods, cosmetics, baby products, retirement villages, and tourism resorts, where consumer preferences are often associated with specific socio-demographic characteristics.

**Socio-Demographic Segmentation** :Like geographic segmentation, socio-demographic segmentation allows for easy identification of segment membership for each consumer. In some cases, the socio-demographic criterion can explain certain product preferences, such as families choosing a family vacation village due to having children. However, in many instances, socio-demographic criteria alone do not provide sufficient market insights for optimal segmentation decisions, as they only account for a small portion of the variance in consumer behavior (around 5%). Values, tastes, and preferences are often more influential in consumers' buying decisions, according to Yankelovich and Meer (2006), suggesting that these factors may be more useful for market segmentation.

**Psychographic segmentation:** it involves grouping people based on psychological criteria such as beliefs, interests, preferences, aspirations, or benefits sought when making a purchase. Benefit segmentation, introduced by Haley (1968), is a popular form of psychographic segmentation that focuses on the benefits consumers seek from a product. Lifestyle segmentation, based on people's activities, opinions, and interests, is another commonly used approach.Psychographic criteria are more complex than geographic or socio-demographic criteria because a single characteristic may not fully capture the psychographic dimension of interest. Therefore, psychographic segmentation studies often utilize multiple variables, such as different travel motives or perceived risks.The advantage of the psychographic approach is that it provides insights into the underlying reasons for consumer behavior. For example, tourists motivated by a desire to learn about other cultures are more likely to choose cultural holidays. Travel motives have been extensively used in data-driven market segmentation in the tourism industry. However, determining segment membership for consumers becomes more complex with psychographic segmentation. Additionally, the effectiveness of the approach relies on the reliability and validity of the measures used to capture the psychographic dimensions of interest.

**Behavioural Segmentation**:Another approach to segment extraction is based on similarities in behavior or reported behavior. Various behaviors can be used as segmentation variables, including prior product experience, purchase frequency, amount spent on each occasion, and information search behavior. Research has shown that behavioral variables, particularly those based on actual behavior rather than self-reported or intended behavior, can be superior to geographic variables in segmenting tourists.The main advantage of behavioral approaches is that they directly use the behavior of interest as the basis for segment extraction. This allows for grouping individuals based on the most relevant similarity. Examples include using actual consumer expenses or purchase data across product categories as segmentation variables. Brand choice behavior over time has also been employed for segmentation purposes.Using behavioral data eliminates the need to develop measures for psychological constructs, making it a practical and reliable approach. However, behavioral data may not always be readily available, especially when including potential customers who have not previously purchased the product.

**Data from Survey Studies :**Market segmentation analyses commonly rely on survey data due to its cost-effectiveness and ease of collection. However, survey data is susceptible to various biases that can compromise the quality of segmentation solutions. Biases in survey data can arise from factors such as social desirability bias, respondent recall bias, or response bias. These biases can distort the true behaviors, preferences, or characteristics of the target population, leading to less accurate segmentation outcomes. Therefore, it is important to be aware of these biases and carefully address them to ensure the reliability and validity of survey-based market segmentation analyses.

**Choice of Variables:** Selecting the appropriate variables for market segmentation is crucial for obtaining high-quality segmentation solutions. In data-driven segmentation, it is essential to include all variables relevant to the segmentation criterion while avoiding unnecessary variables. Unnecessary variables can lead to respondent fatigue, decrease response quality, and complicate the segmentation process without adding relevant information. These unnecessary variables, known as noisy or masking variables, can hinder the identification of the correct segmentation solution. To prevent noisy variables, careful attention should be given to questionnaire development and the selection of segmentation variables. It is recommended to ask necessary and unique questions while avoiding redundancy. Conducting exploratory or qualitative research can provide valuable insights for questionnaire development, ensuring that no critically important variables are omitted. A two-stage process involving both qualitative and quantitative research helps capture important variables effectively.

**Response Options:** The response options provided to respondents in surveys determine the scale of the data for subsequent segmentation analysis. Binary or dichotomous responses (0s and 1s) are suitable for analysis as they have a clearly defined distance between them. Nominal variables, where respondents select one option from an unordered list, can be transformed into binary data. Metric data, such as age or number of nights stayed, allow for various statistical procedures, including distance measurement. However, the most common response format in surveys is ordinal data, where options are ordered but the distance between them is not clearly defined. Applying standard distance measures to ordinal data requires making strong assumptions. To avoid complications in segmentation analysis, it is preferable to provide respondents with binary or metric response options whenever meaningful. Visual analogue scales, such as slider scales, can capture fine nuances and generate metric data. Binary response options have shown better performance than ordinal options, especially when formulated in a level-free manner.

**Response Styles:** Survey data is susceptible to response biases, which are systematic tendencies to respond to questionnaire items based on factors other than the item content. Consistent biases displayed by respondents over time represent response styles. Various response styles can impact survey answers, including extreme responding, using the midpoint, or agreeing with all statements. Response styles can affect segmentation results because they can't be distinguished from genuine beliefs using common segment extraction algorithms. This can lead to misinterpretation of segments. To minimize the risk of capturing response styles in market segmentation data, efforts should be made to identify and address such biases. Additional analyses or removal of respondents affected by response styles may be necessary to ensure accurate targeting of market segments.

**Sample size:** it plays a crucial role in market segmentation analysis. Inadequate sample sizes make it challenging to determine the correct number and nature of segments, while larger sample sizes improve the accuracy of segment identification. Several studies have provided recommendations for sample sizes in market segmentation analysis. The general rule of thumb is to have a sample size of at least 2p (or five times 2p) for latent class analysis, where p is the number of segmentation variables. Another recommendation suggests a sample size of at least 10 times the number of segmentation variables times the number of segments. However, the effect of sample size on segment recovery varies depending on market and data characteristics. Increasing the sample size compensates for some challenges, such as unequal segment sizes, but may not overcome issues like high correlation between variables. Overall, it is recommended to have a sample size of at least 100 respondents per segmentation variable and to collect high-quality, unbiased data for accurate market segmentation results.

Another source of data is –

1)Internal source

2)External source