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summary of the first three steps of Market Segmentation Analysis .

Step 1:

- **Long-term commitment**: Market segmentation requires time and effort. It's a major decision because it often involves significant changes within the company and demands a long-term investment.
- **High costs**: Segmentation can be expensive. It involves spending on market research, customer surveys, focus groups, and creating different marketing or packaging strategies for each segment. These costs must be justified by the potential boost in sales.
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- **Changes in company structure**: Companies may need to reorganize around customer groups with similar needs, rather than focusing only on products. This can help serve each segment more effectively.

- **Top-level decision**: The choice to implement segmentation must come from top management, with clear communication and support across the organization.

- **Leadership challenges**: If senior management isn't fully committed or doesn't allocate enough resources, the segmentation strategy might fail.

- **Cultural resistance**: Some organizations resist change, lack a customer-focused mindset, or suffer from poor communication and internal politics. Success requires creativity and collaboration across different teams.

- **Lack of expertise**: Companies without skilled marketers or data analysts may struggle to implement segmentation properly.

- **Financial and structural limitations**: Businesses with small budgets or rigid structures may find it difficult to apply segmentation strategies effectively.

- **Planning issues**: Poor planning, unclear goals, vague responsibilities, or tight deadlines can derail a segmentation effort.

- **Making it simple for management**: Presenting segmentation results clearly, with visuals like charts and graphs, can help management understand and support the strategy.

Step 2 :

- **Two sets of evaluation criteria**: Companies need to define two types of criteria for evaluating segments knock-out criteria (non-negotiable essentials) and attractiveness criteria (which rate the appeal of segments that pass the knock-out filters).

- **Knock-out criteria**: These are essential filters to identify suitable segments. They include factors like segment uniformity, distinctiveness, sufficient size, the company's ability to serve the segment, and whether the segment can be easily identified and reached.

- **Minimum viable segment size**: One key knock-out criterion is the size of the segment. The company must set a minimum number of customers to ensure the segment is worth pursuing.

- **Attractiveness criteria**: After applying knock-out criteria, the remaining segments are rated based on factors like growth potential, profitability, and competitive advantage to determine which ones are the most promising.

- **Segment evaluation plots**: A structured approach often involves using a plot with axes for segment attractiveness and the company's competitiveness. This helps visually assess which segments are the best targets.

- **Customizing criteria**: Each company tailors its own criteria for segment attractiveness and competitiveness, usually focusing on around six key factors.

- **Team leadership**: A small team oversees the segmentation process, developing criteria and solutions, which are then reviewed by a larger committee with representatives from various parts of the company.

- **Involving different departments**: Its essential to include members from different departments, as segmentation affects the entire organization. Each department contributes valuable insights to the process.

- **Prioritizing criteria**: Team members assign different levels of importance to the attractiveness criteria, usually by giving each criterion a specific weight based on its significance.

Step 3:

- **Using empirical data**: Market segmentation relies on real data to identify and understand different customer groups.

- **Segmentation variables**: These are the characteristics used to divide the market into distinct segments or groups.
- **Descriptor variables**: Once the market is segmented, descriptor variables (like demographics or media habits) provide more detailed descriptions of each group.
- **Commonsense segmentation**: In some cases, segmentation is done using just one simple factor, such as gender. This approach is called commonsense segmentation.
- **Data-driven segmentation**: More advanced segmentation uses multiple factors simultaneously to identify natural or created customer groups.
- **Segmentation criteria**: This refers to the type of information used for segmentation, which can include geographic, socio-demographic, psychographic, and behavioral data.
- **Geographic segmentation**: Dividing the market based on location.
- **Socio-demographic segmentation**: Using factors like age, gender, income, or education to create segments.
- **Psychographic segmentation**: Focusing on people values, beliefs, interests, and what matters to them.
- **Behavioral segmentation**: Looking at behaviors, such as how frequently people

4 **Exploring Data**:
Once the data is collected, the company analyzes it to find patterns. They might identify which customers visit frequently, what items are popular in different age groups, or how income levels affect spending in fast food. This step also involves cleaning the data to remove inaccuracies and irrelevant information.

5 **Extracting Segments**:
Using statistical techniques like clustering, the company groups customers with similar behaviors or characteristics. For instance, they might find a segment of people who only buy breakfast items or another group that prefers dining in versus takeout. These segments are distinct groups that can be marketed to individually.

Describing Segments:
This step involves comparing the segments in more detail. The company might create visual charts or tables to see how segments differ in terms of preferences. They may test for significant differences in factors like price sensitivity or preferred meal times, confirming that these segments behave differently.

8 **Selecting (the) Target Segment(s)**:
Based on the segment profiles, the company chooses which group(s) to focus on. They might prioritize a segment that is more profitable or easier to serve. For example, if young professionals frequently order lunch via mobile apps, the company might target them with special promotions and app-based discounts.

9 **Customizing the Marketing Mix**:

Now, the company adjusts its product offerings, pricing, place (distribution), and promotions to better serve each target segment. For example, if one segment values quick, on-the-go meals, the company might introduce more drive-thru locations or enhance the mobile app for quicker service.

10 Evaluation and Monitoring:
After implementing the segmentation strategy, the company continuously monitors its effectiveness. They check whether sales have increased within target segments, adjust the marketing strategy if necessary, and track changes in customer behavior to ensure the segmentation remains relevant over time.