**STEPS OF MARKET SEGMENTATION ANALYSIS**

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

Even though, we see Market Segmentation as a useful strategy to gain insights into the consumer’s needs and in helping the organizational growth, there are some implications and constraints in doing so like**:**

1. **Long-Term Commitment:**

It requires a long-term commitment from the organization otherwise, it’s just a waste of resources and time. It involves substantial changes and adjustments thus, unless the Organization is fully committed to go through the process, it’s not suggested to consider this.

1. **Implementation Barriers:**

There are certain implementations barriers are as well which needs to be further addressed before committing to it.

1. **Senior Management:** Half-hearted Commitment by senior management can easily hinder implementation.
2. **Organizational Culture:** Resistance to changes and new ideas
3. Not having Proper Awareness about the concepts and it’s importance
4. Resource Constraints and Lack of Proper Planning/Objectives

Identifying these barriers early in the segmentation process and addressing them is essential. If these barriers cannot be overcome, then reconsidering the market segmentation may be necessary.

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

This Step involves with finding the Ideal Segment for an Organization to target, when they’re fully committed to the Segmentation Analysis and for this, we need a proper Segment Evaluation Criteria.

There are basically 2 Sets of Segment Evaluation Criteria:

1. **Knock-Out Criteria:**

This literally decides whether the market segments which we get after the Segmentation Analysis is eligible to be further assessed using the Attractiveness Criteria or not. It is more like filtering of the suitable segments out of the bunch.

**Ex-** Segment homogeneity, size, compatibility with organizational strengths etc.

1. **Attractiveness Criteria:**

This further assesses the relative attractiveness of the qualified segments based on factors like Stability, Growth Potential, Profitability etc.

* **Implementation Of Structured Process:**

Using Segment Evaluation Plot is the most popular approach for selecting the Target Markets, Or We can use a Weightage Criteria **i.e.** Let’s say Total points to be 100 on the attractiveness and Each Segment will be given some points based on their assessment of the Attractiveness Criteria.

By following these steps, Organizations can effectively identify and prioritize target segments that align with their strategic objectives.

**Step 3: Collecting Data**

* **Segmentation Variables:**

This term refers to the **Variable** in the Data (info. from surveys, consumer purchases etc.)used to divide the sample into Market Segments for both Commonsense and Data-Driven Segmentation.

1. **Commonsense Segmentation:**

In this, ‘Segmentation Variable’ refers to a single characteristic like Gender. Market Segments are created based on this.

**Ex- Men & Women**

Other Characteristics like Age, Benefits During Vacation are DescriptorVariables

1. **Data-Driven Segmentation:**

In this Multiple Variables are used to identify or create the Market Segments.

**Ex-** In this we can use Variables related to Benefits Sought During Vacation like seeking relaxation & Meeting people but not interested in Action & Exploring.

So, this **Seeking Relaxation & Meeting People** represents **Segmentation Variable** and Age, gender etc. represent Descriptor Variable.

* **Segmentation Criteria:**

Some commonly used Segmentation Criteria**:**

1. **Geographic Segmentation:**

Dividing based on consumer’s location like Country, City etc.

1. **Socio-Demographic Segmentation:**

Based on demographic factors like Age, Gender, Income, Education

1. **Psychographic Segmentation:**

Based on Consumer’s interests, benefits sought when purchasing the product etc. It’s a little complex to implement as it involves multiple segmentation variables.

1. **Behavioral Segmentation:**

Based on Consumer’s Behaviors like purchase frequency, brand choice etc.

* **Data From Various Sources:**

There are many sources from where we can collect the data and utilize them for the further segmentation process and some are as follows**:**

1. **Data From Survey Studies:**

Most Analysis were based on Survey Data as it’s cheap & easy to collect but can be full of biases. Thus, certain aspects have to be considered like**:**

1. **Choice Of Variables:**

Unnecessary variables **(Noisy variables)** just increases the complexity without adding any useful information thus, not needed.

1. **Response Options:**

Binary or Metric Responses are generally in numbers thus, we can easily perform any statistical operations using them.

1. **Response Styles:**

Survey data is prone to biases, including response styles such as extreme answering tendencies (like STRONGLY AGREE/STRONGLY DISAGREE) can literally affect the results thus, needs to be minimized.

1. **Sample Size:**

Sufficient amount of data is necessary to properly analyze the segments thus, have to be mindful about this.

1. **Data From Internal Sources:**

* Represents **Actual**  behaviour rather than the reported one
* Less Response Biases compared to Survey Data
* Require minimal effort in collection

Though it doesn’t provide information on potential future customers but can be used with external sources thus, a useful source of data. **Ex-** Online Purchase Data, Booking Data etc.

1. **Data From Experimental Studies:**

This is more of a controlled form of data collection and useful in getting insights to the user’s preferences. It can be directly use for Segmentation as the data.

**Ex-** Testing how different users respond to the Advertisements.