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**STEP 1: DECIDING (NOT) TO SEGMENT**

Market segmentation is a process that involves dividing a heterogeneous market into homogeneous segments based on various characteristics, such as demographics, psychographics, and behaviour. This process helps companies to better understand their customers' needs and preferences, enabling them to create tailored marketing strategies that effectively target these segments. The aim is to identify specific groups of customers who share similar characteristics and respond to marketing messages in a similar way.

The first step in market segmentation is deciding whether or not to segment. This decision involves weighing the potential benefits of segmentation, such as increased sales and customer loyalty, against the costs of implementing and maintaining a segmentation strategy. Once a company has decided to pursue market segmentation, the next step is to identify the criteria to be used in segmenting the market, such as age, gender, income, or psychographic factors like lifestyle or values.

After selecting the segmentation criteria, the company must then identify the segments that exist within the market. This process involves analyzing customer data to identify patterns and commonalities among customers. Segments can be identified using various methods, including demographic analysis, cluster analysis, and factor analysis. Once segments have been identified, the company can then develop marketing strategies that are tailored to the needs and preferences of each segment.

The next step is to evaluate and select the most attractive segments to target. Companies must consider a range of factors when evaluating segments, including segment size, growth potential, competition, and compatibility with the company's strengths and resources. The selected segments must then be profiled in detail, using a range of data sources and analytical techniques, to gain a thorough understanding of their characteristics, needs, and behaviours.

Finally, the company must develop marketing strategies that are tailored to the needs and preferences of each segment. This involves developing a marketing mix for each segment that includes product, price, promotion, and distribution strategies that are designed to meet the specific needs and preferences of each segment. Companies must also ensure that their marketing messages are consistent across all channels and that they effectively communicate the value proposition of the product or service to each segment.

**STEP 2: SPECIFYING THE IDEAL TARGET SEGMENT**

This step focuses on developing evaluation criteria to determine the best possible segments. The segment evaluation criteria help to determine the usefulness of a segment, and they are used to determine whether or not the segment is the right one for the business. Knock-out criteria refer to the minimum requirements that each segment must meet to be considered a viable option. Attractiveness criteria are the factors that make a particular segment more attractive than others.

Knock-out criteria

To achieve this, certain criteria must be met, including:

1. Homogeneity: Members of the segment must be similar to one another.
2. Distinctiveness: Members of the segment must be distinctly different from members of other segments.
3. Size: The segment must be large enough to make it worthwhile to spend extra money on customizing the marketing mix for them.
4. Matching strengths: The organization must have the capability to satisfy segment members' needs.
5. Identifiability: Members of the segment must be identifiable in the marketplace.
6. Reachability: There must be a way to get in touch with members of the segment in order to make the customized marketing mix accessible to them.

Attractiveness Criteria

In Step 2 of market segmentation analysis, besides the knock-out criteria, there are several attractiveness criteria that the team should consider when evaluating the ideal target segment. The attractiveness criteria are not binary and cannot be simply assessed as complying or not complying. Each market segment should be rated on how attractive it is with respect to a specific criterion. These criteria can help the team determine which market segments are the most attractive and thus, suitable to be chosen as the target segment in Step 8 of the segmentation analysis.

**STEP 3: COLLECTING DATA**

This step of market segmentation involves collecting data, which will be used to identify and differentiate between potential segments. The chapter begins by discussing segmentation variables, including

* Geographic
* Demographic
* Psychographic
* Behavioral variables

The segmentation criteria are then discussed in more detail, with examples provided for each type of criterion.

DATA COLLECTION METHODS

Survey studies are one of the most common ways to collect data for segmentation analysis, and the authors discuss

* The choice of variables
* Response options
* Response styles
* Sample size

They also touch on the challenges of collecting data from internal sources, such as sales and customer service records. Finally, they discuss the use of experimental studies to collect data, and provide examples of how this type of research can be used to gather information about consumer preferences and behaviors.

"Data from Internal Sources" describes how internal sources, such as customer databases, can be used to collect data on consumer behavior. This subheading explains how internal data can be combined with external data to create a more complete picture of consumer behavior.

"Data from Experimental Studies" explains how experimental studies can be used to test hypotheses about consumer behavior. This subheading explains how experimental studies can be used to measure consumer response to different marketing stimuli, such as price changes or advertising campaigns.