**KAVIN KUMAR R**

**STEP 6: PROFILING SEGMENTS**

This step involves profiling the identified market segments to get a better understanding of their defining characteristics. This step is necessary for data-driven segmentation solutions and not required for common sense segmentation. In this step, traditional approaches to profiling market segments are discussed, and segment profiling with visualizations is explained.

Data-driven market segmentation solutions can be difficult to interpret, and many marketing managers struggle with understanding them. This can lead to difficulties in correctly interpreting segmentation results, which can ultimately affect the effectiveness of marketing strategies. Therefore, good profiling is critical to correctly interpreting and utilizing data-driven market segmentation solutions.

IDENTIFYING KEY CHARACTERISTICS

Identifying key characteristics of market segments is crucial for accurate interpretation of the resulting segments. This can be done by inspecting a number of alternative market segmentation solutions and comparing the segments to each other. Segment separation can also be assessed to ensure that the identified segments are distinct from each other.

CASE STUDY USED

In this step, the authors use an example of tourists in Australia and ask them about their vacation activities. The majority of tourists state that they are being motivated by rest and relaxation. However, this may not differentiate a segment from other market segments. Therefore, at the profiling stage, the authors inspect a number of alternative market segmentation solutions. This is particularly important if no natural segments exist in the data, and either a reproducible or a constructive market segmentation approach has to be taken. The aim of profiling is to identify the defining characteristics of market segments with respect to the segmentation variables. Profiling consists of characterizing the market segments individually but also in comparison to the other market segments. Good profiling is the basis for correct interpretation of the resulting segments, which is critical to making good strategic marketing decisions.

VISUALIZATION IN PROFILING

Visualizations can aid in segment profiling by presenting data in an easily interpretable format. Various types of visualizations are discussed in this step, such as

* Scatterplots
* Radar charts
* Heatmaps

A checklist is provided for this 6th step to guide marketers through the profiling process, which includes identifying key characteristics, assessing segment separation, and using visualizations to describe the market segments.

Proper profiling is important for correct interpretation of the resulting segments and making informed strategic marketing decisions.

**STEP 7: DESCRIBING SEGMENTS**

This step focuses on describing the segments identified in the previous step. The goal is to develop a complete picture of each segment, including their demographic, psychographic, behavioural, and consumption characteristics.

VISUALIZATION IN DESCRIBING MARKET SEGMENTS

Visualizations are an effective way to communicate the results of this analysis. The type of visualization used will depend on the type of descriptor variables used in the segmentation analysis.

For nominal and ordinal descriptor variables,

* bar charts
* pie charts

are used

While for metric descriptor variables,

* histograms
* box plots
* scatter plots

are used

TESTING FOR SEGMENT DIFFERENCES

Descriptor variables are characteristics that are used to describe the segments, such as demographics, psychographics, and behaviour.

To test for segment differences, the authors recommend using statistical methods such as ANOVA or chi-square tests. These tests can determine if there are significant differences between the segments on the descriptor variables. If there are significant differences, this can provide important insights into what distinguishes the segments from each other.

They caution against drawing conclusions based on small sample sizes or on statistical significance alone, without considering practical significance or effect size. They also recommend using multiple tests and considering the results in conjunction with other data and insights.

PREDICTING SEGMENTS FROM DESCRIPTOR VARIABLES

Two types of regression methods commonly used for this purpose:

* Binary logistic regression
* Multinomial logistic regression

Binary logistic regression is used when the dependent variable has only two categories, while multinomial logistic regression is used when there are three or more categories.

The steps involved in using these regression methods for segment prediction are also explained. These steps include

* Selecting the appropriate independent variables
* Specifying the model
* Estimating the coefficients
* Evaluating the model's goodness of fit

The book provides examples of how to perform these steps using software such as SPSS and R.

The use of tree-based methods for predicting market segments are also discussed. Tree-based methods involve creating a decision tree that splits the data into increasingly homogeneous groups based on the values of the independent variables.