Marketing MKTG 1310

4.1

Segmentation
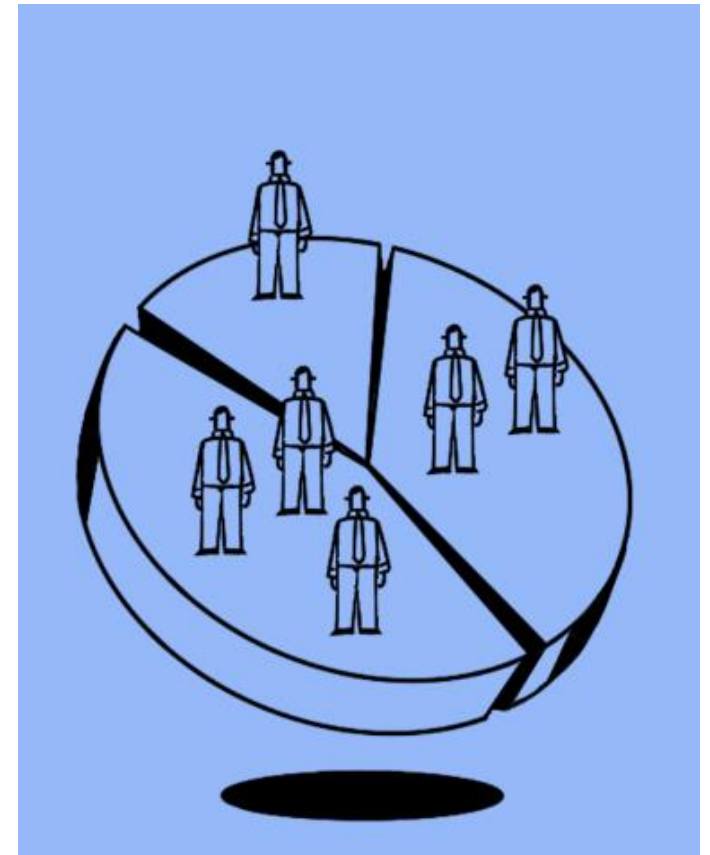
Agenda

- Segmentation

- Segmentation bases

- Segmentation techniques

- Segment attractiveness

Segmentation

- It is the process of dividing a broad consumer or business market, normally consisting of existing and potential customers, into sub-groups of consumers (known as segments) based on shared characteristics.

Segmentation

- Examples

Segmentation

- Examples

Segmentation

- Some approaches
  - 0 segments | Undifferentiated strategy
  - 1 segment | Focus strategy
  - 2+ segments | Differentiated strategy
  - Thousands | Hypersegmentation or one-to-one strategy

- Some criticisms
  - Fails to identify sufficiently narrow clusters
  - Geographic/demographic segmentation is overly descriptive and lacks sufficient insights
  - Difficulties with market dynamics
  - Consumers do not self-identify with them

Segmentation bases

- ***Geographic***
  - City
  - County
  - Province
  - Postal code
  - Country
  - Continent

Segmentation bases

- Geographic

- ***Demographic***
  - Age
  - Gender
  - Occupation
  - Income
  - Education
  - Family
  - Lifestyle

Segmentation bases

- Geographic

- Demographic

- ***Psychographics***
    - Activity Interest Opinion AIO
    - Concerns
    - Values
    - Personality
    - Attitudes

Segmentation bases

- Geographic

- Demographic

- Psychographics

- ***Behavioral***

  - Benefits

  - Purchase and usage

  - Intent and occasion

  - Engagement

Segmentation techniques

- ***Cluster analysis***

Cluster analysis or clustering is the task of grouping a set of objects in such a way that objects in the same group (called a cluster) are more similar (in some specific sense defined by the analyst) to each other than to those in other groups (clusters).

Segmentation techniques

- ***Cluster analysis***

Segmentation techniques

- ***Cluster analysis***

Segmentation techniques

- Cluster analysis

- ***Conjoint analysis***

Technique used in market research that helps determine how people value different attributes (feature, function, benefits) that make up an individual product or service.

Steps:
1. Determine type of study: ranking, rating, choice
2. Identify attributes
3. Specify their levels
4. Design questionnaire

Segmentation techniques

- Cluster analysis

- ***Conjoint analysis***

Brand	Olympus	Sony	Panasonic
Resolution	18 MP	8 MP	3 MP
Optical zoom	6x	8x	6x
Battery life	200-300 photos	300-400 photos	>400 photos
Image stabilizer	Yes	No	No
Price	€ 179	€ 199	€ 349

Segmentation techniques

- Cluster analysis

- Conjoint analysis

- ***Logistic regression***

Segment attractiveness

- Is the segment identifiable?

- Is the segment substantial?

- Is the segment reachable? (consumer must: know that the product/service exists | understand what it can do | recognize how to buy it)

- Is the segment responsive?

- Is the segment profitable? (consider: future market growth | market competitiveness | market access costs)