

MARKET SEGMENT ANALYSIS

S.V.GAUTHAM

Step 1: Deciding (not) to Segment

This step examines the implications of committing to market segmentation, weighing the benefits against potential implementation barriers. Organizations must carefully consider whether segmentation aligns with their strategic goals, as it requires significant resources and commitment. The process begins with an evaluation of the organization's readiness and potential obstacles, such as internal resistance or data limitations. A checklist is provided to help guide the decision-making process, ensuring that the organization is fully prepared to embark on segmentation.

Step 2: Specifying the Ideal Target Segment

Once the decision to segment is made, the next step involves specifying the ideal target segment. This involves defining and applying segment evaluation criteria, which help determine the most promising segments based on factors like profitability and accessibility. Knock-out criteria eliminate segments that do not meet essential conditions, while attractiveness criteria further refine the selection by assessing factors like growth potential and competitive advantage. A structured process is recommended for implementation, supported by a checklist to ensure all relevant factors are considered.

Step 3: Collecting Data

Data collection is crucial for effective market segmentation. This step involves selecting appropriate segmentation variables and criteria such as geographic, socio-demographic, psychographic, and behavioural factors. The data can be sourced from survey studies, where careful consideration of variables, response options, response styles, and sample size is necessary to ensure reliability. Additionally, internal sources and experimental studies provide valuable data that can complement survey findings. A checklist is provided to guide the data collection process, ensuring that the gathered data is comprehensive and suitable for segment analysis.

Step 5: Extracting Segments

Step 5, "Extracting Segments," focuses on the methodologies used to identify and group consumers into distinct market segments. This process begins with an exploration of different techniques for grouping consumers based on various characteristics or behaviours. Distance-based methods are then introduced, encompassing distance measures that quantify similarities or differences between data points, hierarchical methods that build segment trees through agglomeration or division, and partitioning methods that directly assign consumers to specific segments. Hybrid approaches combine these strategies to enhance accuracy and flexibility.

The chapter also delves into model-based methods, where statistical models like finite mixtures of distributions and finite mixtures of regressions are employed to describe the data's underlying segment structures. These models are further extended and varied to cater to complex segmentation needs. Additionally, algorithms with integrated variable selection are discussed, including bi clustering algorithms that simultaneously group consumers and variables, the Variable Selection Procedure for Clustering Binary Data (VSBD) that optimizes segmentation for binary data, and factor-cluster analysis, which reduces data dimensionality before clustering.

Finally, the chapter addresses data structure analysis, providing tools such as cluster indices for measuring the quality of segments, gorge plots for visualizing segment separations, and both global stability analysis and segment level stability analysis to assess the reliability and consistency of the identified segments. These tools ensure that the segmentation is robust and applicable to real-world scenarios.

Code:

https://github.com/SVGautham/market_segmentation_analysis_MCD/tree/main