

## **Summary**

### **Step 1: Deciding (not) to Segment**

#### **1.1 Implications of Committing to Market Segmentation**

\* **Understanding Commitment:** Deciding to engage in market segmentation is a significant strategic choice for any business. This decision implies a commitment to understanding and addressing the diverse needs and preferences of different customer groups.

**Resource Allocation:** It involves allocating resources specifically for the process of segmentation, including time, money, and human resources.

**Long-term Strategy:** Market segmentation should be viewed as a long-term strategic decision rather than a one-time activity.

#### **1.2 Implementation Barriers**

**Data Collection:** One of the primary barriers is the need for detailed and accurate data about potential market segments.

**Analysis Expertise:** There is a requirement for expertise in analysing and interpreting the segmentation data.

**Organizational Willingness:** The organization must be willing to adapt and reorient strategies based on segmentation insights, which might involve significant changes in product development, marketing, and customer service approaches.

This first step is crucial as it sets the foundation for the entire segmentation process. It requires a thorough assessment of the organization's capabilities and a strategic decision on whether to proceed with market segmentation.

## **Step 2: Specifying the Ideal Target Segment**

### **2.1 Segment Evaluation Criteria**

**Defining Criteria:** Establish criteria to evaluate and identify the most suitable market segments. This involves determining which segments are most viable and have the potential to meet the company's objectives.

### **2.2 Knock-Out Criteria**

**Identifying Deal-Breakers:** Set 'knock-out' criteria to eliminate segments that do not meet essential requirements. These could include factors like insufficient size, lack of profitability, or misalignment with the company's brand or values.

### **2.3 Attractiveness Criteria**

**Assessing Potential:** Determine the attractiveness of each segment based on factors like size, growth potential, accessibility, and compatibility with the company's capabilities and strategic goals.

### **2.4 Implementing a Structured Process**

**Structured Approach:** Implement a structured process for segment evaluation. This involves systematic data analysis and decision-making to ensure that the chosen segments are the most appropriate for the company's goals.

This step involves refining the segmentation process by identifying valuable segments aligned with company goals through a blend of data analysis and strategic thinking.

## Step 3: Collecting Data

### 3.1 Segmentation Variables

Identifying Variables: Choose relevant variables for segmentation. These can include geographic, socio-demographic, psychographic, and behavioural aspects.

### 3.2 Segmentation Criteria

- **Geographic Segmentation:** Involves segmenting the market based on location such as regions, cities, or countries.
- **Socio-Demographic Segmentation:** Includes variables like age, gender, income, education, and occupation.
- **Psychographic Segmentation:** Focuses on lifestyle, values, attitudes, and interests of consumers.
- **Behavioural Segmentation:** Based on consumer behaviours such as purchase history, brand loyalty, and product usage.

### 3.3 Data from Survey Studies

Choice of Variables: Select appropriate variables for surveys.

Response Options: Design surveys with clear and relevant response options.

Response Styles: Consider different styles of responses to ensure accurate data collection.

Sample Size: Determine the optimal sample size for reliable data.

### 3.4 Data from Internal Sources

Utilize existing internal data like sales records, customer feedback, and previous marketing campaign results.

### 3.5 Data from Experimental Studies

Consider experimental data for more nuanced insights into consumer behaviour and preferences.

This step is vital for the segmentation process as it involves gathering the necessary data to identify and understand the potential market segments. It requires a careful selection of variables and data sources to ensure a comprehensive and accurate understanding of the market.

## **Step 4: Exploring Data**

### **4.1 A First Glimpse at the Data**

**Initial Review:** Start with an initial examination of the collected data to get a general understanding of its structure and content.

### **4.2 Data Cleaning**

**Removing Irregularities:** Clean the data by removing inconsistencies, missing values, and outliers.

**Ensuring Accuracy:** Verify the accuracy and completeness of the data to ensure reliable analysis.

### **4.3 Descriptive Analysis**

**Understanding Data Characteristics:** Conduct a descriptive analysis to understand basic features of the data such as mean, median, mode, range, and standard deviation.

**Identifying Patterns:** Look for patterns or trends in the data that could indicate potential segments.

### **4.4 Pre-Processing**

**Categorical Variables:** Convert categorical variables into a format suitable for analysis.

**Numeric Variables:** Normalize or scale numeric variables to ensure comparability.

### **4.5 Principal Components Analysis (PCA)**

**Dimensionality Reduction:** Use PCA to reduce the dimensionality of the data, helping to identify the most significant variables.

**Insight Extraction:** Extract insights from PCA to understand underlying structures in the data.

This step is critical for preparing the data for segmentation. It involves detailed exploration and preparation of the data to ensure that subsequent segmentation is based on accurate and meaningful information. The process of cleaning, analysing, and pre-processing the data sets the stage for effective segmentation.

## Step 5: Extracting Segments

### 5.1 Grouping Consumers

Consumer Grouping: Begin the process of grouping consumers based on similarities in the data. This is the core of the segmentation process.

### 5.2 Distance-Based Methods

- Distance Measures: Use distance measures to determine how similar or different data points are.
- Hierarchical Methods: Apply hierarchical clustering methods to build a tree of clusters. Example: Tourist Risk Taking
- Partitioning Methods: Implement methods like k-Means and k-Centroid clustering, improved k-Means, hard competitive learning, neural gas, and topology representing networks. Examples include self-organising maps and neural networks.
- Hybrid Approaches: Combine different methods for more robust clustering Examples: Two-Step Clustering, Bagged Clustering

### 5.3 Model-Based Methods

- Finite Mixtures of Distributions: Use mixtures of different distribution types like normal and binary distributions. Example: Australian Travel Motives
- Finite Mixtures of Regressions: Apply mixtures of regression models.
- Extensions and Variations: Explore different extensions and variations of these models for better fit.

### 5.4 Algorithms with Integrated Variable Selection

\* Biclustering Algorithms: Utilize biclustering for simultaneous clustering of rows and columns. Example: Australian Vacation Activities

Variable Selection for Clustering Binary Data (VSBD): Implement specific algorithms for binary data.

\* Variable Reduction: Use factor-cluster analysis for reducing variables while clustering.

## 5.5 Data Structure Analysis

Cluster Indices: Use internal and external cluster indices to assess cluster quality.

Gorge Plots: Implement gorge plots for visual analysis of clusters. Global Stability Analysis: Evaluate the overall stability of the segmentation. Example: Tourist Risk Taking

\* Segment Level Stability Analysis: Assess the stability of individual segments across solutions.

This step is about the actual segmentation of the market based on the data prepared in the previous steps. It involves using various clustering methods and analytical

## **Step 6: Profiling Segments**

### **6.1 Identifying Key Characteristics of Market Segments**

**Characteristic Identification:** Determine the defining characteristics of each market segment. This includes understanding the unique attributes, needs, and behaviours of the consumers in each segment.

### **6.2 Traditional Approaches to Profiling Market Segments**

**Traditional Methods:** Utilize traditional profiling methods, which may involve demographic, geographic, psychographic, and behavioural dimensions to describe each segment.

### **6.3 Segment Profiling with Visualizations**

**Visual Profiling:** Employ visual tools to help in understanding and communicating the characteristics of each segment

**Identifying Defining Characteristics:** Use visualizations to highlight the unique aspects of each segment.

**Assessing Segment Separation:** Visual tools can also be used to assess how distinct each segment is from the others.

This step is about creating detailed profiles for each identified market segment. It involves analysing and summarizing the unique characteristics and needs of each segment, often using both traditional methods and visualizations. This profiling is essential as it forms the basis for developing tailored marketing strategies for each distinct segment.

## **Case Study: Fast Food**

**Github link:** <https://github.com/Vanita56/INTERNSHIP->

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