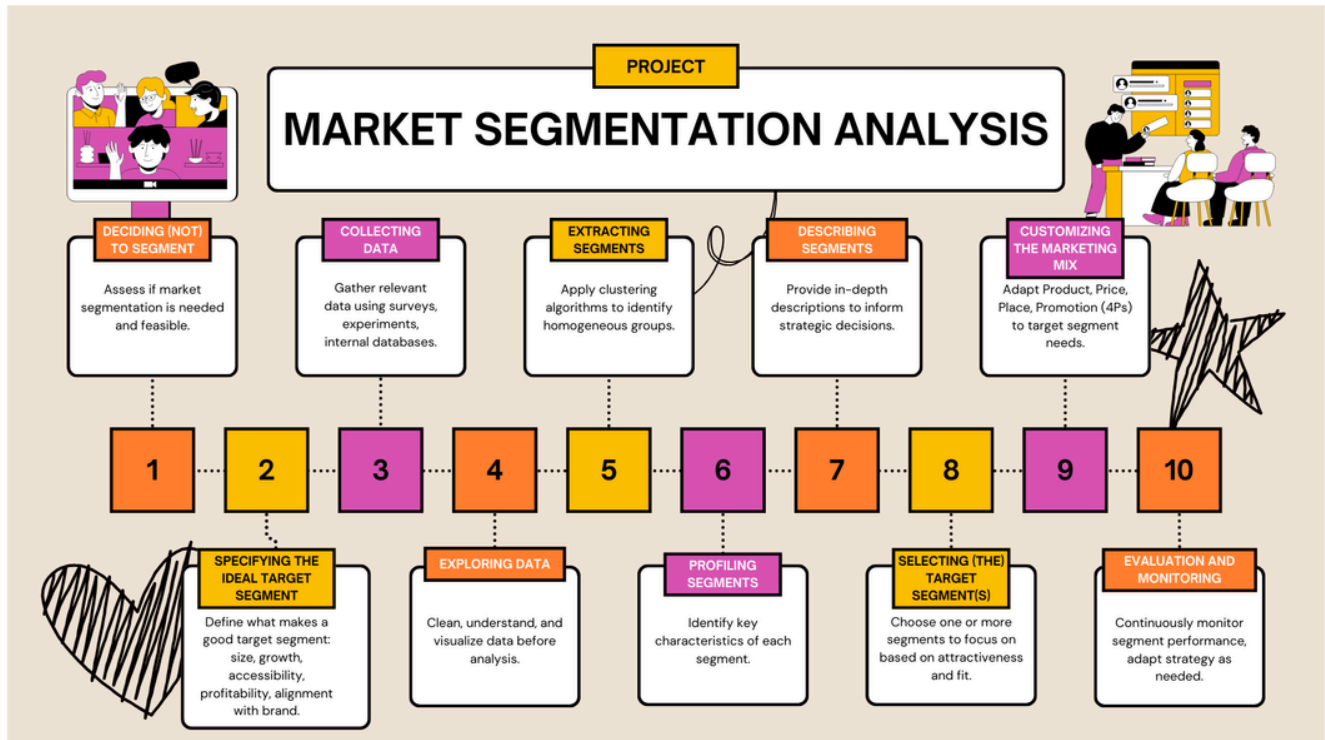


Market Segment Analysis

-By Antus Alok Sahu



Step 1: Deciding (Not) to Segment

3.1 Implications of Committing to Market Segmentation

- **Segmentation is a long-term strategic decision** requiring organizational commitment and substantial change (product development, pricing, communication, and structure).
- It's **costly** (surveys, data collection, analysis, customized marketing).

3.2 Implementation Barriers

- **Senior management barriers:** lack of leadership, understanding, resources.
- **Organizational culture barriers:** resistance to change, poor communication.
- **Training gaps:** staff not trained in segmentation methods.
- **Resource limitations:** financial and structural constraints.
- **Operational issues:** unclear objectives, bad planning, no process or responsibilities.

3.3 Step 1 Checklist

- Questions to assess readiness:
 - Market orientation?
 - Willingness to change?
 - Long-term perspective?
 - Open to new ideas?
 - Cross-unit communication?
 - Resources and capabilities?

Step 2: Specifying the Ideal Target Segment

4.1 Segment Evaluation Criteria

- Early definition of **what makes a segment ideal** (critical for Steps 8 and 9).
- Combination of **knock-out** and **attractiveness criteria**.

4.2 Knock-Out Criteria

- **Homogeneity**: members are similar.
- **Distinctness**: differs from other segments.
- **Size**: large enough to be profitable.
- **Match**: fit with organizational mission.
- **Identifiability**: can be recognized and measured.
- **Reachability**: accessible through marketing channels.

4.3 Attractiveness Criteria

- Market potential, growth, profitability, competition, alignment.

4.4 Implementing a Structured Process

- **Teams** discuss and select criteria.
- Assign **weights** to attractiveness criteria (100-point method).
- Involve **advisory committee** to reflect cross-organizational needs.

4.5 Step 2 Checklist

- Structured steps for defining criteria and weights.

Step 3: Collecting Data

5.1 Segmentation Variables

- Variables used to differentiate customers: **needs, preferences, behavior**.

5.2 Segmentation Criteria

- **Geographic, Socio-demographic, Psychographic, Behavioral.**

5.3 Data from Survey Studies

- **Questionnaire design** and challenges: variable choice, response options, biases, sample size considerations.

5.4 Data from Internal Sources

- Company databases, CRM systems.

5.5 Data from Experimental Studies

- Behavioral and controlled experiments for segmentation insights.

5.6 Step 3 Checklist

- Ensures completeness of data collection design.

Step 4: Exploring Data

6.1 A First Glimpse at the Data

- Inspect variable types, distribution, initial patterns.

6.2 Data Cleaning

- Handle **missing values, outliers, data inconsistencies.**

6.3 Descriptive Analysis

- Summarize data using **means, distributions, visualizations.**

6.4 Pre-Processing

- **Categorical variables:** encoding.
- **Numeric variables:** scaling.

6.5 Principal Components Analysis (PCA)

- Dimensionality reduction to handle complex datasets.

6.6 Step 4 Checklist

- Ensure data readiness for segmentation.

Step 5: Extracting Segments

7.1 Grouping Consumers

- Goal: identify **homogeneous groups**.

7.2 Distance-Based Methods

- **Distance measures, hierarchical clustering, partitioning (e.g., k-means).**
- **Hybrid approaches** combining methods.

7.3 Model-Based Methods

- **Finite mixture models, latent class analysis.**

7.4 Algorithms with Integrated Variable Selection

- **Biclustering, Variable Selection for Clustering Binary Data (VSBD).**

7.5 Data Structure Analysis

- Validity and stability checks:
 - **Cluster indices, gorge plots, global and segment-level stability.**

7.6 Step 5 Checklist

- Ensure segment quality and validity.

Step 6: Profiling Segments

8.1 Identifying Key Characteristics

- **Descriptive attributes:** demographic, psychographic, behavioral.

8.2 Traditional Profiling Approaches

- Cross-tabulations, descriptive stats.

8.3 Segment Profiling with Visualizations

- **Radar charts, heatmaps**, segment comparison visuals.

8.4 Step 6 Checklist

- Ensure meaningful, actionable profiles.

Step 7: Describing Segments

9.1 Developing a Complete Picture

- Understand **who they are and why they behave this way.**

9.2 Visualizations

- **Nominal/Ordinal** and **Metric Descriptor** visualizations.

9.3 Testing for Segment Differences

- Statistical tests (ANOVA, chi-square).

9.4 Predicting Segments

- **Regression, tree-based methods** for predicting segment membership.

9.5 Step 7 Checklist

- Ensure segments are fully described and validated.

Step 8: Selecting (the) Target Segment(s)

10.1 Choosing Segments

- Balance **segment attractiveness** and **organizational fit**.

10.2 Evaluating Segments

- Use **segment evaluation plots** based on pre-defined criteria.

10.3 Structured Process for Selection

- Team discussions, scoring, and final selection.

10.4 Step 8 Checklist

- Ensure selection is strategic and justifiable.

Step 9: Customizing the Marketing Mix

11.1 Product

- Adapt products to segment needs.

11.2 Price

- Pricing strategy based on willingness to pay.

11.3 Place

- Distribution preferences (online/offline).

11.4 Promotion

- Tailored communication channels and messaging.

11.5 Step 9 Checklist

- Ensure alignment of 4Ps with segment needs.

Step 10: Evaluation and Monitoring

12.1 Continuous Tracking

- Monitor **segment performance** over time.

12.2 Adaptation

- Adjust segmentation strategy as markets evolve.

12.3 KPIs

- **Sales, retention, segment movement.**

12.4 Tools

- **Dashboards, CRM analytics, customer feedback loops.**

12.5 Step 10 Checklist

- Ensure continuous learning and improvement.