Market Segmentation Analysis (Summary of steps 1,2,3)- Ayush Dudhe

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

The advantages and disadvantages of putting a market segmentation plan into practice.

**Consequences of Following to Market Segmentation:**

- **Long-Term Commitment:** Substantial organisational changes and a long-term commitment are necessary for market segmentation.
- **Costs:** A significant amount of money must be spent on surveys, research, product revisions, and customised communications.
- **Structural Adjustments:** In order to optimise benefits, organisations may need to restructure their structure around market segments rather than goods.
- **Executive Buy-In:** The decision to pursue segmentation needs to be approved by the top executives and shared widely within the company.

Implementation Challenges.

- **Senior Management:** Insufficient involvement and leadership might make success difficult. One potential obstacle could be a lack of resources for both the initial investigation and long-term execution.
- **Organisational Culture:** Implementation may be delayed by office politics, resistance to change, a lack of focus on the market, poor communication, and short-term thinking.
- **Training and Understanding:** Senior management and the implementation team may fail if they lack the necessary training and comprehension of market segmentation.
- **Defined Marketing Function:** Success may be affected by the lack of a defined marketing function or of skilled marketing professionals. A deficiency of proficient data administrators and analysts may also provide a challenge.
- **Objective Restrictions:** Implementation may be unsuccessful due to structural limitations and a lack of funding.

In conclusion, it may be necessary to reconsider the goal of market segmentation if challenges can't to be eliminated. Many barriers can be discovered and dealt with proactively.
A strong sense of purpose, perseverance, patience, and an understanding of the inevitable hurdles are necessary for successful implementation.

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

**Segment Assessment Standards:**

- **User Involvement:** Throughout the market segmentation process, the organization's ongoing involvement is crucial.
- **Two Groups of Standards:**
  **Knock-out criteria:** requirements that a segment must meet in order to be taken into consideration.
  **Attractiveness Criteria:** Used to assess how attractive segments are in comparison to those that don't meet the knock-out requirements.

**Criteria for Knock-Out:**

• **Essentials:** Parameters like size, matching organisational strength, identifiability, reachability, homogeneity, distinctiveness, substantiality, measurability, and accessibility.
• **Understanding:** The segmentation team, senior management, and the advisory committee must all have a clear understanding of an agreement upon these criteria.

**Criteria for Attractiveness:**

• **Nature:** Non-binary; segments are scored according to a scale for every criterion.
• **Selection:** The segmentation team decides which criteria are most pertinent to their organisation and ranks them accordingly.
• **Determination:** In Step 8, the target segment is chosen based on attractiveness across all criteria.

**Putting an Organised Process in Place:**
• **Evaluation Plot:** Plotting segment attractiveness against organisational competitiveness is the most popular way to assess segments.
• **Criteria Selection:** To determine which beauty criteria are most significant, a team should suggest and discuss them.
• **Weighting:** A common method of assigning 100 points to each criterion and negotiating until an understanding is reached is to weight the criteria in accordance with their relative importance.
• **Approval:** To guarantee that all organisational viewpoints are taken into account, the advisory committee should approve the final criteria and their weights.

**The second step will result in the following:** A list of roughly six segment attractiveness criteria, each with a weight indicating its relative relevance, will be available to the segmentation team. This makes sure that all relevant data is collected during the data collection process and makes choosing the target segment in Step 8 easier.

## Step 3: Collecting Data

Market segmentation involves categorizing consumers into distinct groups based on specific criteria to facilitate targeted marketing efforts. Two main approaches are commonsense segmentation and data-driven segmentation. Commonsense segmentation uses single variables like gender to divide consumers into segments, while descriptor variables further detail these segments. In contrast, data-driven segmentation employs multiple empirical variables, such as benefits sought or behavioural patterns, to create segments aligned with organizational goals.

Empirical data quality is pivotal for accurate segmentation, crucial for customizing products, pricing, distribution, and communication strategies. Sources like surveys, scanner data, and experimental studies provide such data, emphasizing actual consumer behaviour over potentially biased survey responses.

Segmentation criteria encompass geographic, socio-demographic, psychographic, and behavioural factors. The choice of criteria should align closely with product/service needs and market dynamics, preferring simplicity and cost-effectiveness where possible. Geographic segmentation, using location as a primary criterion, facilitates targeted messaging and channel selection but may oversimplify consumer characteristics. It's effective in diverse markets but requires caution regarding cultural and survey biases in international applications.

Socio-demographic segmentation, focusing on age, gender, income, and education, simplifies segment identification but may not fully explain consumer preferences. While valuable in industries like luxury goods or retirement villages, socio-demographics alone may not provide comprehensive insights into consumer behaviours influenced by values and preferences.

Psychographic segmentation categorizes people based on psychological criteria like beliefs, interests, preferences, and benefits sought. It includes approaches such as benefit segmentation, focusing on consumer motives, and lifestyle segmentation, which considers activities and opinions. Psychographic criteria are complex because they require multiple variables to capture dimensions like travel motives or perceived risks accurately. While psychographic segmentation reveals underlying reasons for consumer behaviour, its complexity can challenge segment identification and relies heavily on reliable data measures.

Behavioural segmentation focuses on actual behaviours like purchase frequency, spending amounts, and brand choices. It directly uses observed behaviour rather than self-reported or intended behaviour, making it effective for segmenting based on consumer actions. However, accessing behavioural data for non-customers can be challenging compared to existing customer data.

Overall, effective segmentation balances criteria choice with the need for deep market understanding, aiming to optimize marketing strategies while adapting to diverse consumer needs across different regions and industries.

In market segmentation, survey data is a widely utilized method due to its affordability and ease of collection, though it is susceptible to various biases that can undermine segmentation quality. Careful consideration of variables is crucial for effective segmentation outcomes. In data-driven segmentation, relevant variables must be included while avoiding unnecessary ones to prevent respondent fatigue and maintain data quality. Noise variables, which add complexity without adding relevant information, should be minimized as they hinder segmentation accuracy. Response options

in surveys, such as binary or metric scales, are preferred for their compatibility with distance-based analytic techniques, whereas ordinal scales pose challenges due to undefined distances between options. Response styles, like extreme or midpoint biases, can distort segmentation results, necessitating methods to mitigate their impact. Adequate sample size is pivotal; insufficient samples impair segmentation accuracy, emphasizing the need for robust data collection practices.