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Exercise #1

Name:

This first exercise is for you to select the variables that will be utilized in your market segmentation. I would strongly suggest that you only use variables from the personal survey book.

1. You will need to download the data dictionary, the ncs personal booklet image, and optionally the household book image from blackboard.
2. Using the data dictionary and likely the personal booklet image here are the four types of variables that you will select for your market segmentation. Each variable you choose should be relevant to your market segmentation. That is, if your target variable is Coca Cola, then attitudes healthy diet would be relevant while attitudes about fashion design are probably not going to be relevant. **You can just take a screen shot of the question or questions in the personal booklet pdf you select, edit it to just highlight the question(s) you wish to use and then paste it into your answer below.** Note that during the course of constructing your market segmentation, you may end up changing some of these variables because sometimes using real data you don’t end up with a happy ending.
   1. Target variable – this is one and only one variable that you will use as the focus of your market segmentation. It should be a product or service and is likely to be a yes/no question. For example, I am going to imagine that my client is the Coca Cola company and their flagship product Original Coke. So I would find the variable in the data dictionary that reflected whether or not the survey respondent drinks Original Coke.
   2. Single Driver variables – these are variables that help define the market segmentation solution. I often strongly recommend that you choose psychographic (attitudinal) variables for driver variables. These variables typically have a five point scale that ranges from agree a lot to disagree a lot (see the last 20 or so pages of the personal book image for examples). You should identify approximately 4-6 single driver variables. Note that each variable will require you to read in five variables (one for each point on the scale – agree a lot, agree a little, neither agree nor disagree, disagree a little and disagree a lot) and combine them using SAS IF THEN statements into one numerical five point scale for each question (hint: make agree a lot =5 and disagree a lot = 1).
   3. Abstract constructor factor variables – the market segmentation project requires you to build at least two factors using Principal Components Analysis (PCA). Each factor will consist of at least four variables. Again I would strongly suggest you use the psychographic variables to do this. **That means that you will need to build four variables x two factors or a total of eight variables for this**. Check the “big picture” slide deck if you need a better picture of what you are doing here. The idea of PCA is to build a single variable that represents a complex abstract construct out of a group of survey questions. For example, I might want to build one factor that represents how environmentally friendly the respondent is. So I might pick the following four variables for the first four variables in my principal componets analysis:

I am more likely to purchase a product from a company that is environmentally friendly.

Companies should help consumers become more environmentally conscious.

It is important to me that others see me as environmentally conscious.

Eco-friendly products are higher quality products.

Then define a second abstract construct like price conscious or something similar and find four additional questions for that construct. **Be sure to tell me the two abstract constructs you are trying to build with your principal components analysis.**

* 1. Descriptor variables – these are variables that are used after the market segmentation is done to describe the market segments that have been produced. **These variables DO NOT help form the clusters in your market segmentation. Rather, they help describe the clusters once they have been formed with single driver + principal component factors you are developing.** Typically these variables consist of the target variable itself, a couple of major competitors of that product, a demographic variable or two like gender and Hispanic origin, a useful attitudinal variable or two and finally 2-3 media variables (like watching a specific television show) to help figure out where to advertise to the specific segments produced by your market segmentation.

So now that you have a pretty good idea of how this works, the actual work for this exercise is to consult the data dictionary and the image booklet and answer the following questions:

1. My target variable is
2. My single driver variables are: (minimum of 4 or more):
3. My first abstract construct is

And the four or more variables that I will use to create this construct are

1. My second abstract construct is

And the four or more variables that I will use to create this construct are

1. My descriptor variables that I will use to describe my market segment groups are (minimum six):