

- Market segmentation is the process of dividing a market into three categories they are ;
 - A small segment characterised by wanting many features, and being willing to pay a lot of money for it. A large segment containing consumers who desire the exact opposite.
 - Another large segment in the middle containing members who want a mid-range
 - at a mid-range price.
- Selecting one market segment, say the high-end, high-price segment, and offering this segment the exact product it desires, is more likely to lead to both high short-term sales (within this segment), and a long-term positioning as being the best possible provider of high-end, high-price Such an approach is referred to as a **concentrated market strategy**
- However, come at the price of the **higher risk** associated with depending
 - on one single market segment entirely.
- **Alternate is to concentrate on three market segments**

- **Strategical and Tactical Marketing Techniques**

- **Strategical Marketing Techniques:**

- Dividing a market into distinct groups of buyers with different needs or behaviors, enabling tailored marketing strategies.
- Selecting specific segments to serve and designing a unique market position to meet their needs better than competitors.
- Building and maintaining a strong brand identity and reputation that resonates with the target audience.
- Creating or improving products to meet the evolving needs of the market.
- Establishing long-term objectives and strategies to achieve sustainable growth and competitive advantage.

- **Tactical Marketing Techniques:**

- Implementing short-term campaigns through various channels (e.g., social media, TV, print) to promote products and increase brand awareness.
- Offering incentives such as discounts, coupons, or contests to stimulate immediate sales.
- Creating and distributing valuable, relevant content to attract and engage the target audience.
- Sending targeted email campaigns to nurture leads and maintain customer relationships.
- Actively interacting with customers on social media platforms to build relationships and foster brand loyalty.

- **Strategical marketing focuses on the overall direction and long-term goals of a company, while tactical marketing deals with the specific actions and short-term efforts to achieve those goals. Together, they ensure a coherent and effective marketing approach.**
- **Step 1: Deciding (not) to Segment**
- Segmentation is a long term strategy
- **Implementation Barriers:**
 - The first group of barriers relates to senior management.
 - A second group of barriers relates to organisational culture.
 - Another potential problem is lack of training.
 - Another is the lack of a formal marketing function or at least a qualified marketing expert in the organisation.
 - Another obstacle may be objective restrictions faced by the organisation, including lack of financial resources, or the inability to make the structural changes required.
- **Step 2: Specifying the Ideal Target Segment**
- Step 1 is all about choosing whether to apply market segmentation or not
- Step 2 is all about contributing to the segmentation. This contribution is helpful in further steps such as data collection, selecting one or more segments...etc
- In this step the organization will determine two sets of segment evaluation criteria.
- One set of evaluation criteria can be referred to as **knock-out criteria**. These criteria are the essential, non-negotiable features of segments that the organisation would consider targeting.
- The second set of evaluation criteria can be referred to as **attractiveness criteria**. These criteria are used to evaluate the relative attractiveness of the remaining market segments – those in compliance with the knock-out criteria.
 - **criteria**. These criteria are used to evaluate the relative attractiveness of the remaining market segments – those in compliance with the knock-out criteria.
- knock-out criteria automatically eliminate some of the available market
 - segments, attractiveness criteria are first negotiated by the team, and then applied to determine the overall relative attractiveness of each market segment in Step 8.
- **Knock-Out Criteria**
 - Knock-out criteria are used to determine if market segments resulting from the market segmentation analysis qualify to be assessed using segment attractiveness criteria.
- **Additional criteria that fall into the knock-out criterion category:**

- **Homogeneous** - members of the segment must be similar to one another.
- **Distinct** - members of the segment must be distinctly different from members of other segments.
- **Large enough** - to make it worthwhile to spend extra money
- **Matching the strengths of the organisation**
- **Identifiable** - it must be possible to spot them in the marketplace.
- **Reachable** - there has to be a way to get in touch with members of the segment
- **Attractiveness Criteria**
 - The attractiveness across all criteria determines whether a market segment is selected as a target segment in Step 8 of market segmentation analysis
- **Implementing a Structured Process**
 - Factors which constitute both segment attractiveness and organisational competitiveness need to be negotiated and agreed upon.
 - This task should be completed by a team of people
 - A core team of two to three people is primarily in charge of market segmentation analysis, this team could propose an initial solution and report their choices to the advisory committee
 - At the end of this step, the market segmentation team should have a list of
 - approximately six segment attractiveness criteria. Each of these criteria should have a weight attached to it to indicate how important it is to the organisation compared to the other criteria. Optimally, approval by the advisory committee should be sought.
- **Step 3: Collecting Data**
- **Segmentation Variables**
- To split the sample into market segments.
- **Descriptor variables:** They are used to describe the segments in detail. Describing segments is critical to being able to develop an effective marketing mix targeting the segment.
- The difference between commonsense and data-driven market segmentation is that
 - data-driven market segmentation is based not on one, but on multiple segmentation variables.
- **Quality of empirical data is critical for developing a valid segmentation solution.**
- **Good market segmentation analysis requires good empirical data.**

- Surveys should not be seen as the default source of data for market segmentation studies. The source that delivers data most closely reflecting actual consumer behaviour is preferable.
- **Segmentation Criteria**
 - The term segmentation criterion relates to the nature of the information used for market segmentation.
 - The most common segmentation criteria are geographic, sociodemographic, psychographic and behavioural.
 - With so many different segmentation criteria available, which is the best to use? Generally, the recommendation is to use the simplest possible approach.
- **Geographic Segmentation:**
 - In geographic segmentation the consumer's location of residence serves as the only criterion to form market segments.
 - The key **advantage** of geographic segmentation is that each consumer can easily be assigned to a geographic unit.
- **Socio-Demographic Segmentation**
 - Typical socio-demographic segmentation criteria include age, gender, income and education.
 - Socio-demographic segmentation criteria have the **advantage** that segment membership can easily be determined for every consumer.
 - Socio-demographics do not represent a strong basis for market segmentation.
- **Psychographic Segmentation**
 - Benefit segmentation is arguably the most popular kind of psychographic segmentation.
 - Lifestyle segmentation is another popular psychographic segmentation approach it is based on people's activities, opinions and interests.
 - Psychographic criteria are, by nature, more complex than geographic or sociodemographic criteria.
 - The **advantage** that it is generally more reflective of the underlying reasons for differences in consumer behaviour.
 - The **disadvantage** of the psychographic approach is the increased complexity of determining segment memberships for consumers.
- **Behavioural Segmentation**
 - segment extraction is done by searching directly for similarities in behaviour or reported behaviour.

- Using behavioural data also avoids the need for the development of valid measures for psychological constructs.
- **Data from Survey Studies**
 - Survey data is cheap and easy to collect, making it a feasible approach for any organisation.
- **Choice of Variables:**
 - All variables relevant to the construct captured by the segmentation criterion need to be included. At the same time, unnecessary variables must be avoided.
 - Unnecessary variables make market segmentation difficult. They divert the
 - attention from making proper market segmentation.
 - Such variables are referred to as noisy variables or masking variables and have been repeatedly shown to prevent algorithms from identifying the correct segmentation solution
 - A two-stage process involving both qualitative, exploratory and
 - quantitative survey research ensures that no critically important variables are omitted.
- **Response Options**
 - Answer options provided to respondents in surveys determine the scale of the data available for subsequent analyses.
 - Answer in only one of two ways, generate **binary or dichotomous data**.
 - Select an answer from a range of unordered categories corresponds to **nominal variables**.
 - To indicate a number, such as age or nights stayed at a hotel, generate **metric data**.
 - Using five or seven response options—This answer format generates **ordinal data**
- **Using binary or metric response options prevents subsequent complications relating to the distance measure in the process of data-driven segmentation analysis.**
- **Response Styles**
 - In market segmentation, response styles refer to the different ways consumers might respond to surveys, questionnaires, or other forms of market research.
 - Acquiescence Bias (Yes-saying), Dissent Bias (No-saying), Social Desirability Bias, Extreme Response Style, Moderate Response Style, Random Responding, Position Bias, Patterned Responding, Leniency/Severity Bias, Managing Response Styles. **These are some types of response styles.**

- Randomizing Question Order, Balanced Scales, Validity Checks, Pilot Testing, Anonymity Assurance, Neutral Wording. **These are some of the ways to manage the response styles.**
- **Sample Size**
 - When considering sample size in market segmentation, it is crucial to ensure that the sample is representative of the overall population and large enough to provide reliable and accurate insights.
 - Sample size is adequate for drawing reliable and actionable insights from market segmentation efforts.
 - Ensure the data contains at least 100 respondents for each segmentation variable.
- **Data from Internal Sources**
 - Increasingly organisations have access to substantial amounts of internal data that can be harvested for the purpose of market segmentation analysis.
 - It represents actual behaviour of consumers.
 - No extra effort is required to collect data. Directly collected from the users itself.
- **Data from Experimental Studies**
 - Experimental data can result from field or laboratory experiments.
 - Experimental data can also result from choice experiments or conjoint analyses.

STEP 6:

PROFILING SEGMENTS

- This is the next step of Extracting segments. We will get to know about the market segments in this step which are the output of the extracting segments step.
- This step is required only when data driven market segmentation is used
- Good profiling is the basis for correct interpretation of the resulting segments.

Traditional Approaches to Profiling Market Segments

- We use the Australian vacation motives data set.
- Data-driven segmentation solutions are usually presented to users (clients, managers) in one of two ways:
 - (1) as high level summaries simplifying segment characteristics to a point where they are misleadingly trivial
 - (2) as large tables that provide, for each segment, exact percentages for each segmentation variable.
- If Traditional approach is followed then it takes a lot of time to interpret the data from the table. It takes lot of comparisons to come to a conclusion.

Segment Profiling with Visualisations

- Visualisations are useful in the data-driven market segmentation process to inspect, for each segmentation solution, one or more segments in detail.
- **Identifying Defining Characteristics of Market Segments**
 - A good way to understand the defining characteristics of each segment is to produce a segment profile plot.
 - The segment profile plot shows – for all segmentation variables – how each market segment differs from the overall sample.
 - The segment profile plot is the direct visual translation of tables
- **Assessing Segment Separation**
 - Segment separation can be visualised in a segment separation plot. The segment separation plot depicts – for all relevant dimensions of the data space – the overlap of segments.
 - Principal components are a fundamental concept in Principal Component Analysis (PCA), which is a technique used in data analysis and dimensionality reduction. Here's a detailed yet easy-to-understand explanation:
 - **Principal Components**

1. Data Dimensionality:

- In many datasets, especially those with a large number of variables, the data can be very high-dimensional. Each variable represents a dimension in this space.
- For example, if you have a dataset with 100 variables, each data point is represented in a 100-dimensional space.

2. Principal Component Analysis (PCA):

- PCA is a statistical technique used to simplify a dataset by reducing its number of dimensions while retaining most of the variation (information) in the data.
- PCA achieves this by transforming the original variables into a new set of variables called principal components.

3. Principal Components:

- Principal Components (PCs) are new variables that are constructed as linear combinations of the original variables.
- The first principal component (PC1) captures the most variation in the data. The second principal component (PC2) captures the second most variation, and so on.
- Each principal component is orthogonal (uncorrelated) to the others, ensuring that they capture different aspects of the data's variability.

4. How PCA Works:

- **Centering and Scaling:** First, the data is centered by subtracting the mean of each variable and often scaled to have unit variance.
- **Covariance Matrix:** PCA computes the covariance matrix of the data to understand how variables are related to each other.
- **Eigenvalues and Eigenvectors:** It then calculates the eigenvalues and eigenvectors of this covariance matrix. The eigenvectors become the principal components, and the eigenvalues indicate the amount of variance each principal component captures.
- **Projection:** The original data is projected onto these principal components to get the principal component scores (new values in the reduced-dimensional space).

5. Interpreting Principal Components:

- **PC1, PC2, etc.:** The first few principal components usually capture the majority of the variability in the data. For example, if PC1 and PC2 capture 80% of the variability, you can use these two components to visualize the data in a 2D plot.
- **Dimensionality Reduction:** By keeping only the first few principal components, you reduce the dimensionality of the dataset while preserving most of its information.