

MARKET SEGMENTATION ANALYSIS

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What is market segmentation?

Market segmentation is a process that consists of sectioning the target market into smaller groups that share similar characteristics, such as age, income, personality traits, behavior, interests, needs, or location.

Knowing your market segmentation will help you target your product, sales, and marketing methods. It can help your product development processes by guiding how you build product offers for various groups, such as males versus women or high-income versus low-income. These segments can be used to optimize products, marketing, advertising, and sales efforts.

Segmentation allows brands to create strategies for different types of consumers, depending on how they perceive the overall value of certain products and services. In this way, they can introduce a more personalized message with the certainty that it will be received successfully.

Types of market segmentation

Market segmentation is the process of breaking up a large market into smaller groups of customers with similar needs, traits, or ways of behaving. There are 4 [types of market segmentation](#). Below, we describe each of them:

Types of Market Segmentation

Geographic Segmentation:

Consists of creating different groups of customers based on geographic boundaries.



Demographic Segmentation:

Consists of dividing the market through different variables such as age, gender, income, etc.



Psychographic Segmentation:

Consists of grouping the target audience based on their behavior, lifestyle, attitudes and interests.



Behavioral Segmentation:

Focuses on specific reactions and the way customers go through their purchasing processes.



Geographic segmentation

Geographic segmentation consists of creating different groups of customers based on geographic boundaries.

A fast-food chain might change its menu items and specials based on what people in a certain area like. For example, they might have spicy food on the menu in places where spicy food is common.

The needs and interests of potential consumers vary according to their geographic location, climate, and region. So, geographic segmentation is

valuable. Understanding geographic segmentation allows you to determine where to sell and advertise a brand and where to expand a business.

Demographic segmentation

Demographic segmentation divides the market through different variables. Demographic segmentation includes age, gender, nationality, education level, family size, occupation, income, etc.

A company that sells luxury cars might look for customers with a certain income, age, or job. For example, they might make ads for older, wealthy people who are likely to be interested in luxury cars.

Demographic segmentation is one of the most widely used forms of market segmentation since it is based on knowing how customers use your products and services and how much they are willing to pay for them. Surely demographic segmentation is very important.

Psychographic segmentation

Psychographic segmentation consists of grouping the target audience based on their behavior, lifestyle, attitudes, and interests.

A fitness brand might try to reach customers based on how they live and who they are. For example, they might go after people who like to be active and care about their health.

To understand the target audience, [market research](#) methods such as [focus groups](#), surveys, interviews, and case studies can successfully compile psychographic segmentation conclusions.

Behavioral segmentation

Behavioral segmentation focuses on specific reactions, i.e. [consumer behaviors](#), patterns, and how customers go through their decision-making and purchasing processes.

An online store can target customers based on what they buy. For example, they might give discounts to people who buy from them often or

send personalized suggestions based on what people have bought in the past.

The public's attitudes towards your brand, how they use it, and their awareness are examples of behavioral segmentation. Collecting behavioral segmentation data is similar to how you would find psychographic data. This allows marketers to develop a more targeted approach.

STEPS IN MARKET SEGMENTATION:

When Not to Segment in Market Segmentation

1. Homogeneous Market:

- If the market is relatively homogenous, meaning the customer base shares similar needs, preferences, and behaviors, there might be less incentive to segment.

2. Resource Constraints:

- Smaller businesses with limited resources may choose not to segment due to constraints in time, budget, or expertise. In such cases, a broad marketing approach might be more practical.

3. Undifferentiated Product or Service:

- If the product or service offered is generic and doesn't have significant variations in features or benefits, there might be little reason to segment the market.

4. Single, Universal Marketing Message:

- In cases where a single, universal marketing message is believed to resonate with the entire target audience, companies might choose not to go through the segmentation process.

5. Global Markets with Uniform Preferences:

- In certain global markets where consumers share uniform preferences and cultural similarities, companies may opt for a standardized marketing strategy rather than tailoring efforts to specific segments.

Specifying the Ideal Market Segment:

Targeting

The second step includes deciding who to target.

Targeting involves deciding which customer segment or market the firm should be aiming at.

Once a firm identifies all market segments, it must determine which ones to target and how many. This strategy aims to identify small, well-defined target groups.

Example:-

Imagine you are working as a marketing manager for a clothing retailer. Instead of deciding to target all women, you would specify that you want to target women between the ages of 25-30 who purchase new clothes at least once every two weeks. To find the appropriate target market, you need to evaluate the market segment based on its attractiveness, and whether the firm has the resources and capabilities to do this effectively.

Targeting is also important because it is essential to select which customer segment is most attractive from a marketing perspective. This customer segment, or segments, will be the ones you focus your marketing on.

Knockout Criteria in Ideal Market Segment:

In marketing, knockout criteria refer to specific factors or conditions that, if not met, would disqualify a market segment from being considered as the ideal target for a particular product or service. These criteria are used to filter and prioritize potential segments, ensuring that the chosen segment

aligns with the business objectives and is viable for effective marketing strategies. Here are some common knockout criteria to consider when determining the ideal target market:

Relevance to Product/Service:

The segment must have a genuine need or desire for the product or service offered. If the offering is not relevant to the segment's needs, it becomes a knockout criterion.

Profitability Potential:

Assess the potential profitability of the segment. If the segment is not likely to contribute significantly to the company's revenue and profits, it may be excluded.

Size and Reach:

Consider the size of the segment and its reach. If the segment is too small or difficult to reach through marketing channels, it might not be a viable target.

Compatibility with Brand Image:

Ensure that the values, preferences, and behaviors of the segment align with the brand image. If there is a significant misalignment, it may disqualify the segment.

Resource Requirements:

Evaluate the resources required to effectively target and serve the segment. If the company lacks the necessary resources, the segment may be deemed impractical.

Competitive Landscape:

Analyze the level of competition within the chosen segment. If the segment is saturated with competitors and differentiation is challenging, it might not be the ideal target.

Market Growth Potential:

Assess the growth potential of the segment. If the segment is declining or not expected to grow, it might not be a strategic choice for long-term success.

Accessibility:

Consider the accessibility of the segment. If reaching and engaging the target audience is difficult or costly, it may impact the feasibility of targeting that segment.

Attractiveness Criteria in Ideal Marketing Segment:

In the pursuit of ideal target marketing, businesses employ a set of attractiveness criteria to carefully evaluate and select market segments that align with their strategic objectives and offer the greatest potential for success. A key consideration is the size of the segment, as a larger market size implies greater revenue potential. Growth potential is crucial, with businesses favouring segments that exhibit a trajectory of expansion for long-term success. Profitability is another vital criterion, ensuring that the chosen segment contributes significantly to the company's financial health. Accessibility is assessed to determine the ease of reaching and serving the segment, with a preference for segments that are readily accessible through cost-effective marketing channels. Competitive intensity plays a role, with less saturated or competitive segments being more attractive. Alignment with brand values, compatibility with products or services, and stability of demand are essential factors that contribute to the overall attractiveness of a segment. Cultural fit, strategic alignment, technological readiness, and environmental sustainability also weigh into the decision-making process. Ultimately, businesses seek segments that not only meet these attractiveness criteria but also foster brand loyalty, enable strategic growth, and align with broader societal and environmental goals.

Collect data from multiple sources

The next step is to gather data from various sources to create your customer segments. You can use both quantitative and qualitative methods, such as surveys, interviews, feedback forms, web analytics, CRM reports, social media, and email campaigns. You should aim to collect as much data as possible, but also ensure that it is accurate, reliable, and up-to-date. You can also use tools like Google Forms, Survey Monkey, Hub Spot, or Qualtrics to help you collect and organize your data.

Use micro surveys in the welcome flow to understand users' needs

Is there a better way to understand your users' needs than asking them yourself?

Micro surveys in the welcome flow can be a great way to understand what your new users want to achieve with your product and what their goals are. But first, you need to know the right questions to ask to achieve your goals.

With your questions in place, you can use User pilot to create simple micro surveys in your welcome flow.

Using the data you get from the micro surveys, you can segment your users into groups and create personalized on boarding flows according to their needs.

Tell me a little about yourself...so I can help you better! 📍

Who are you? 😊

- ☐ An individual/ Solopreneur
- ☐ A social media marketer in a company
- ☐ A VA/ social media marketer in an agency
- ☐ A social media agency owner

What will you be using Posfity for?

- ☐ for myself
- ☐ for my business/ employer
- ☐ for multiple clients / as an agency

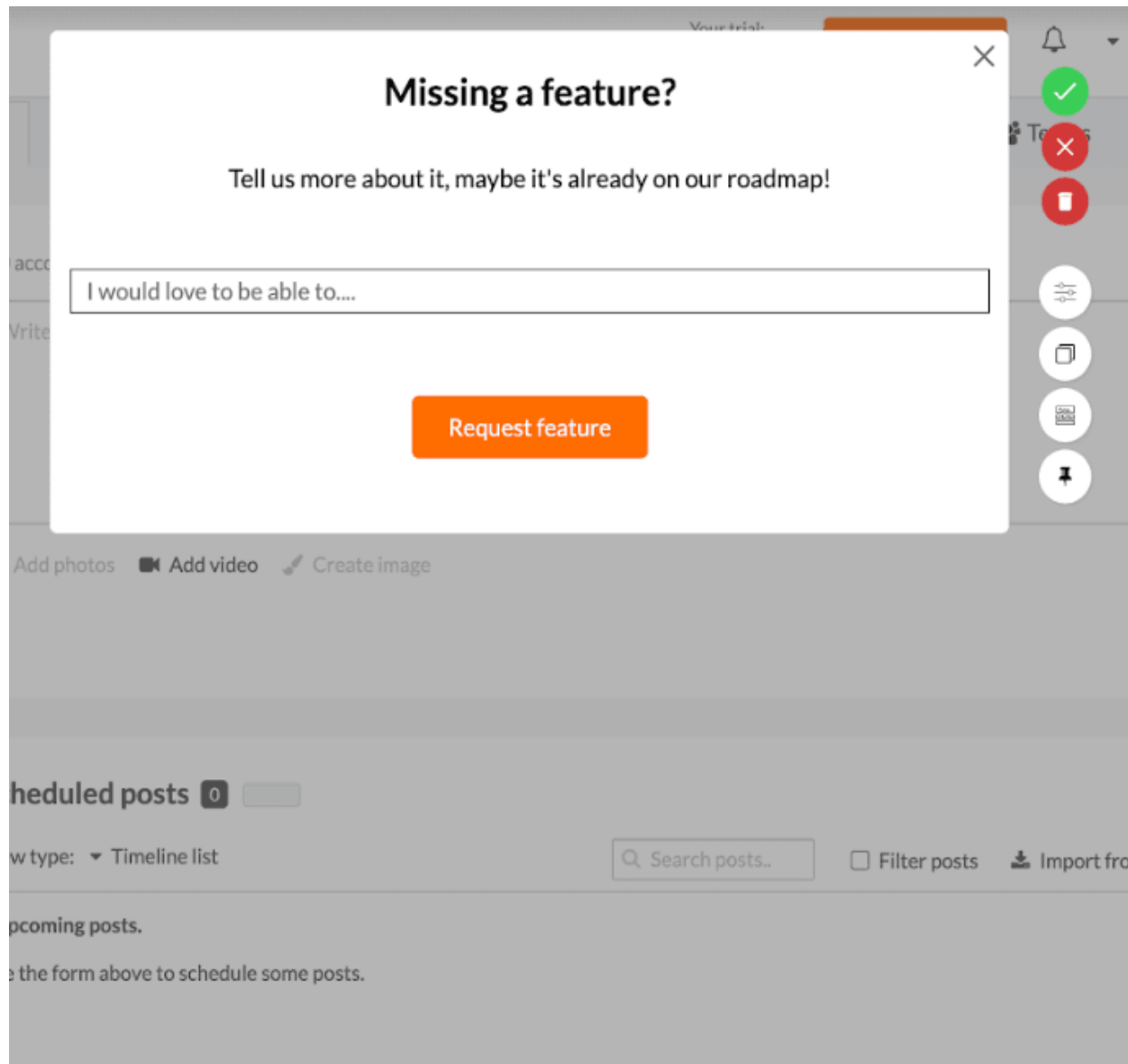
What is the main reason you are using Postfity?

- ☐ to save time by batching my work
- ☐ to get post inspiration
- ☐ to manage a team of social media managers

Use feature request surveys to learn what users want to see next

Another significant opportunity for understanding your customer needs is feature request surveys. Getting feedback on what features are missing and what can be improved can help you better understand what your users need and how to satisfy them.

Here is an example of how Postfity uses a microsurvey to capture information about missing features and what customers want to see next.



The image shows a white modal window titled "Missing a feature?" with a close button (X) in the top right corner. Below the title, the text reads "Tell us more about it, maybe it's already on our roadmap!". There is a text input field with the placeholder text "I would love to be able to....". Below the input field is an orange button labeled "Request feature". The background is a blurred screenshot of a social media management dashboard. On the right side of the dashboard, there is a vertical sidebar with several icons: a green checkmark, a red X, a red trash can, a white settings gear, a white document icon, a white calendar icon, and a white pushpin icon. At the bottom of the dashboard, there are sections for "Scheduled posts" (showing 0 items), a "View type" dropdown set to "Timeline list", a "Search posts.." input field, a "Filter posts" checkbox, and an "Import from" button. Below these, there is a section for "Upcoming posts" and a note that says "Use the form above to schedule some posts."

Track feature usage to determine the features with the highest and lowest engagement

Your features are designed to meet the needs of your users. Tracking the most and least used features will shine a light on the needs of your target

audience. You can use User pilot to track feature usage without having to code.

All you need to do is to create feature tags that will trigger when users click or interact with that feature.

userpilot < ≡

People >

Growth Insights >

Features

Goals

Engagement Layer >

NPS

10 days left in your free trial

Get Help

Configure >

Features

7 / 25 used

Tag new feature

Name	Users	Companies	Total Clicks	Definition	
Add backlink button click	-	-	-	NEW	...
Calendar New	-	-	-	Calendar	...
DEMO explore template button	-	-	-	Explore templates	...
Click on new project	-	-	-	New project	...
New Tag				CREATE TASK	...
New Partnership				NEW	...
guest post in menu button				Guest Posts	...

Define new tag

Tag this feature on:

Create

Exploring Data in Market Segmentation:

Exploring data in market segmentation involves a comprehensive analysis of relevant datasets to understand the characteristics, preferences, and behaviors of different customer segments. The goal is to gain actionable insights that can inform strategic decisions and targeted marketing efforts. Here are key steps in exploring data for market segmentation:

Data Collection and Cleaning:

Gather relevant datasets from various sources, ensuring data accuracy and completeness. Clean the data by addressing missing values, outliers, and inconsistencies.

Descriptive Statistics:

Compute basic descriptive statistics such as mean, median, mode, standard deviation, and range for key variables. This provides an initial overview of the data's central tendencies and variability.

Univariate Analysis:

Analyze individual variables separately. Use histograms, box plots, or frequency distributions to understand the distribution and characteristics of each variable within the dataset.

Bivariate Analysis:

Explore relationships between pairs of variables. Scatter plots, correlation matrices, and cross-tabulations help identify potential associations or dependencies between variables.

Multivariate Analysis:

Extend the analysis to three or more variables simultaneously. Techniques like principal component analysis (PCA) or factor analysis can help identify underlying patterns and dimensions within the data.

Segmentation Variables:

Identify and prioritize variables that are relevant to market segmentation. These may include demographic, psychographic, behavioral, or geographic factors based on the segmentation strategy.

Cluster Analysis:

Use clustering techniques to identify natural groupings or segments within the dataset. Hierarchical clustering or k-means clustering can reveal patterns that may not be apparent through traditional analysis.

Data Visualization:

Create visualizations such as heat maps, bar charts, or radar charts to represent relationships and patterns within the data. Visualization aids in conveying complex information more intuitively.

Correlation Analysis:

Explore correlations between variables to understand how changes in one variable relate to changes in another. Correlation matrices and correlation heatmaps can visualize these relationships.

Outlier Detection:

Identify and analyze outliers that may impact the interpretation of results. Determine whether outliers are valid data points or errors that need correction.

Trend Analysis:

Examine temporal trends if applicable. Time-series analysis helps identify patterns and cyclical behaviors within the data.

Data Distribution:

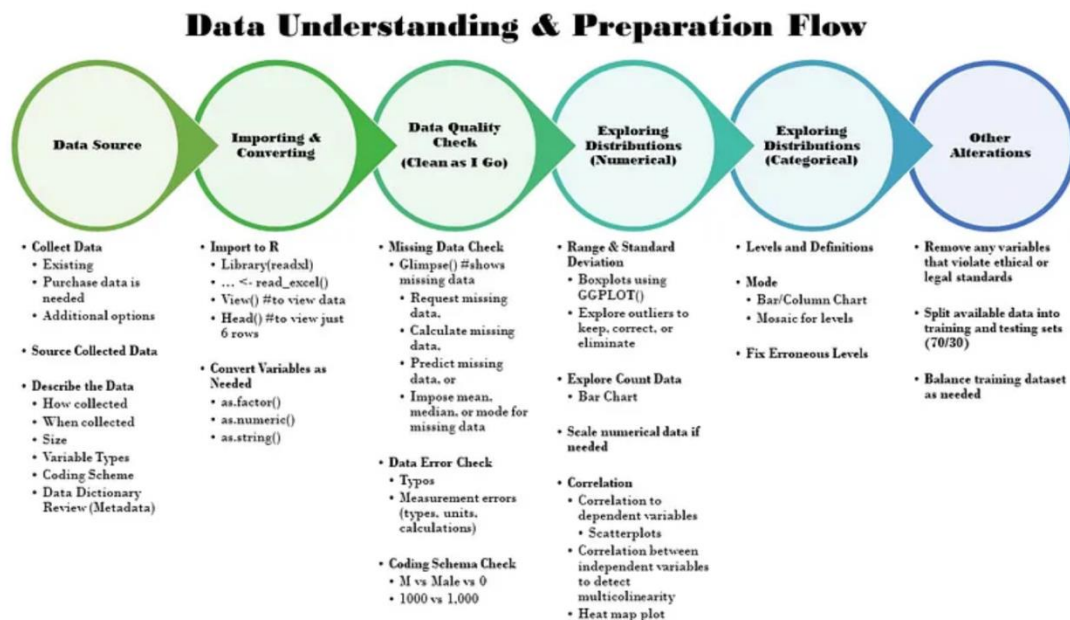
Assess the distribution of data within each segment. Understanding how variables are distributed within different segments is essential for targeted marketing.

Comparison across Segments:

Compare descriptive statistics and visualizations across different market segments. Identify similarities and differences in the characteristics of each segment.

Insights and Hypotheses:

Derive insights from the exploratory analysis and formulate hypotheses about the relationships between variables and the characteristics of different segments.



Selecting the Target Segments:

Once an actionable segmentation approach is in place, marketing organizations typically follow one of two major segmentation strategies: a concentration strategy or a multisegment strategy.



Rolex focuses on a single market segment—those who want a luxury watch—and are thus a prime example of the concentration strategy of market segmentation.

In the **concentration strategy**, a company chooses to focus its marketing efforts on only one market segment. Only one marketing mix is developed: the combination of product offerings, promotional communications, distribution, and pricing targeted to that single market segment. The primary advantage of this strategy is that it enables the organization to analyze the needs and wants of only one segment and then focus all its efforts on that segment. The primary disadvantage of concentration is that if demand in the segment declines, the organization's sales and financial position will also decline.

In the **multisegment strategy**, a company focuses its marketing efforts on two or more distinct market segments. The organization develops a distinct marketing mix for each segment. Then they develop marketing programs tailored to each of these segments. This strategy is advantageous because it may increase total sales with more marketing programs targeting more customers. The disadvantage is the higher costs, which stem from the need for multiple marketing programs that may include segment-specific product differentiation, promotions and communication, distribution/delivery channels, and pricing.

How do you choose?

Selecting the target segments boils down the following questions, which connect to the “ideal segment” conditions listed above:

- Whose Needs can you best satisfy?
- Who will be the most profitable customers?
- Can you reach and serve each target segment effectively?

- Are the segments large and profitable enough to support your business?
- Do you have the resources available to effectively reach and serve each target segment?

As you answer these questions with regard to the different market segments you have defined, you will confirm which segments are most likely to be good targets for your product(s). These segments become your target market—the object of your targeting strategy, marketing mix, and marketing activities.

Marketing Mix & the 7 P's of Marketing

The classic marketing mix, as established by Professor of Marketing at Harvard University, Prof. James Culliton in 1948 and expanded upon by Jerome McCarthy, incorporates Product, Price, Placement, and Promotion into a theory of marketing that has been important to the industry for more than 70 years. Since then, the theory has been expanded into the 7 P's of marketing. Which are: Product, Price, Promotion, Place, People, Packaging, and Process?

Today, we refer to these interchangeably as the 7 P's or as the Marketing Mix. Here, we will discuss this concept, its components, and answer some common questions about the marketing mix and its applications.

Marketing Mix:

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The combination of **actions** and **strategies** an organization uses to promote their brand or product. Marketing mix leverages the 7 P's of marketing.

What is a marketing mix?

Marketing mix is a selection of marketing tools that include several areas of focus that can be combined to create a comprehensive plan. The term refers to a classification that began as the 4 P's: product, price, placement, and promotion, and has been expanded to Product, Price, Promotion, Place, People, Packaging, and Process.

What are the 7 Ps of Marketing?

The 4 P's marketing mix concept (later known as the 7 P's of marketing) was introduced by Jerome McCarthy in his book: "Basic Marketing: A Managerial Approach". It refers to the thoughtfully designed blend of strategies and practices a company uses to drive business and successful product promotion. Initially 4, these elements were Product, Price, Place and Promotion, which were later expanded by including People, Packaging and Process. These are now considered to be the "7 P's" mix elements.

It can be difficult for a small business owner or marketing manager to know how to establish a unique selling proposition or to reach the right customers, especially on new platforms like the internet, with digital marketing.

Fortunately, the 7 Ps of marketing give you a [framework to use in your marketing planning](#) and essential strategy to effectively promote to your target market.

You can also take into consideration elements of the mix in your day to day marketing decision making process with the goal to attract the right audience to successfully market to through your marketing campaigns.

The 7 elements of the marketing mix include the following:

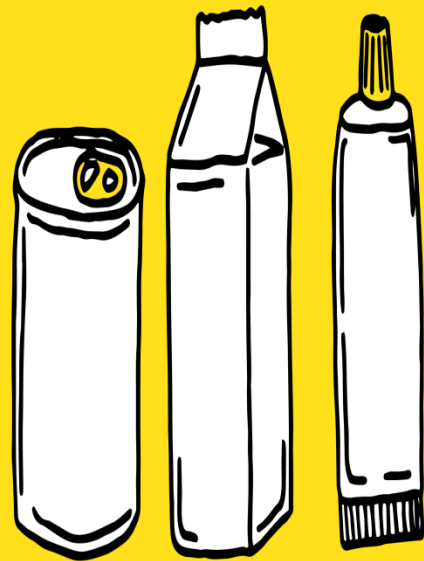
1. Product (or Service)

Your customer only cares about one thing: what your product or service can do for them. Because of this, prioritize making your product the best it can be and optimize your product lines accordingly. This approach is called "product-led marketing." In a marketing mix, product considerations involve every aspect of what you're trying to sell. This includes:

- Design
- Quality
- Features
- Options
- Packaging
- Market positioning

In a product-led marketing mix, product considerations include:

- ✓ Design
- ✓ Quality
- ✓ Features
- ✓ Options
- ✓ Packaging
- ✓ Market positioning



There are five components to successful product-led marketing that are important for product marketers to take into consideration:

- Get out of the way. [Let your product or service sell itself](#). Focus your marketing efforts on getting consumers to try what you have to offer so they can learn its value for themselves.
- Be an expert (on your customers). [Know your customer's needs](#) and use that knowledge to help communicate your product's value.
- Always be helping. Position yourself as an ally by creating informative content that meets your target customers' needs, and they'll be more likely to buy from you. (This is also called [content marketing](#).)
- Share authentic stories. Encourage happy customers to share their experiences and tell others why they appreciate your brand.
- Grow a product mindset. [Focus on your product](#) before you consider [how to sell](#) it. Invest in development, and the product quality will take care of the rest.

2. Price

Many factors go into a pricing model. [Brands](#) may:

- Price a product higher than competitors to create the impression of a higher-quality offering.
- Price a product similar to competitors, then draw attention to features or benefits other brands lack.
- Price a product lower than competitors to break into a crowded market or attract value-conscious consumers.
- Plan to raise the price after the brand is established or lower it to highlight the value of an updated model.
- Set the base price higher to make bundling or promotions more appealing.

Consider what you're trying to achieve with your pricing strategy and how price will work with the rest of your marketing strategy. Some questions to ask yourself when selling products:

- Will you be offering higher-end versions at an additional cost?
- Do you need to cover costs right away, or can you set a lower price and consider it an investment in growth?
- Will you offer sales promotions?
- How low can you go without people questioning your quality?
- How high can you go before customers think you're overpriced?
- Are you perceived as a value brand or a premium brand?

3. Promotion

Promotion is the part of the marketing mix that the public notices most. It includes television and print advertising, content marketing, coupons or scheduled discounts, [social media strategies](#), [email marketing](#), display ads, [digital strategies](#), marketing communication, search engine marketing, public relations and more.

All these promotional channels tie the whole marketing mix together into an omnichannel strategy that creates a unified experience for the customer base. For example:

- A customer sees an in-store promotion and uses their phone to check prices and read reviews.
- They view the brand's [website](#), which focuses on a unique feature of the product.
- The brand has solicited reviews addressing that feature. Those reviews appear on high-ranking review sites.
- The customer buys the product and you've sent a thank you email using [marketing automation](#).

Here are the ways you can use these channels together:

- Make sure you know all the channels available and make the most of them to reach your target audience.
- Embrace the move toward [personalized marketing](#).
- [Segment](#) your promotional efforts based on your customers' behavior.
- [Test responses](#) to different promotions and adjust your marketing spend accordingly.
- Remember that promotion isn't a one-way street. Customers expect you to pay attention to their interests and offer them solutions when they need them.

4. Place

Where will you sell your product? The same [market research](#) that informed your product and price decisions will inform your placement as well, which goes beyond physical locations. Here are some considerations when it comes to place:

- Where will people be looking for your product?
- Will they need to hold it in their hands?
- Will you get more sales by marketing directly to customers from your own [e-commerce](#) website, or will buyers be looking for you on third-party marketplaces?
- Do you want to converse directly with your customers as they purchase, or do you want a third party to solve [customer service](#) issues?

The 7 P's Of Marketing

1. Product (or Service)
2. Price
3. Promotion
4. Place
5. People
6. Packaging
7. Process



5. People

People refers to anyone who comes in contact with your customer, even indirectly, so make sure you're recruiting the best talent at all levels—not just in customer service and sales force.

Here's what you can do to ensure your people are making the right impact on your customers:

- Develop your marketers' skills so they can carry out your marketing mix strategy
- Think about company culture and [brand personality](#).
- Hire professionals to design and develop your products or services.
- Focus on [customer relationship management, or CRM](#), which creates genuine connections and inspires [loyalty](#) on a personal level.

6. Packaging

A company's packaging catches the attention of new buyers in a crowded marketplace and reinforces value to [returning customers](#). Here are some ways to make your packaging work harder for you:

- Design for differentiation. A good design helps people recognize your brand at a glance, and can also highlight particular features of your product. For example, if you're a shampoo company, you can use different colors on the packaging to label different hair types.
- Provide valuable information. Your packaging is the perfect place for product education or brand reinforcement. Include clear instructions, or an unexpected element to surprise and delight your customers.
- Add more value. Exceed expectations for your customers and give them well-designed, branded extras they can use, like a free toothbrush from their dentist, a free estimate from a roofer, or a free styling guide from their hairdresser.

7. Process

Prioritize processes that overlap with the customer experience. The more specific and seamless your processes are, the more smoothly your staff can carry them out. If your staff isn't focused on navigating procedures, they have more attention available for customers—translating directly to personal and exceptional customer experiences.

Some processes to consider:

- Are the logistics in your main distribution channel cost-efficient?
- How are your scheduling and delivery logistics?
- Will your third-party retailers run out of product at critical times?
- Do you have enough staff to cover busy times?
- Do items ship reliably from your website?

If you get more than one customer complaint about any process, pinpoint what's going wrong and figure out how to fix it.

McDonald's Case Study Github Link:

[https://github.com/haarsh567/Feynn-Labs-Internship/blob/main/McDonald's%20Case%20Study%20\(R%20to%20Python\).ipynb](https://github.com/haarsh567/Feynn-Labs-Internship/blob/main/McDonald's%20Case%20Study%20(R%20to%20Python).ipynb)