MARKET SEGMENTATION ANALYSIS

INTRODUCTION: MARKET SEGMENTATION

The objective of marketing is to match the supplier's offerings to the needs and desires of the consumer. This necessitates marketing planning.

A marketing plan is divided into two parts: strategic marketing and tactical marketing. The strategic marketing plan, or long-term plan, states where the organization wants to go and why. The tactical marketing plan outlines how to get there, i.e., the short-term marketing actions.

As part of the strategic marketing planning process, two key decisions must be made: which consumers to focus on (segmentation and targeting) and which image of the organization to project in the market (positioning).

Market segmentation analysis is the process of grouping consumers into naturally existing or artificially created segments of consumers who share similar product preferences or characteristics.

The components of a market segmentation analysis include:

1. Exploring consumer data to determine which market segments can be extracted.
2. Data collection should be relevant to the market segment being defined for extraction.
3. Identifying market segments from the data gathered, then describing and profiling each segment.
4. Defining the ideal segment based on the capabilities of the organization and selecting the target segment(s) suitable for the organization to run profitably.
5. To convert the solution and create strategic marketing plans and tactical marketing actions.
6. Make organizational changes in accordance with marketing plans.

Step-by-Step Market Segmentation Analysis:

Step 1: Deciding (not) to Segment

1. Market segmentation is a useful marketing tactic for businesses to use, but it is not always the case.

2. Before investing, it is important to understand the implications of pursuing market segment analysis because doing so requires time and money.
3. The organization must commit to a long-term market segmentation analysis.
4. The commitment should be matched by a willingness and ability to make significant changes in the organization.
5. It is not recommended to segment unless the expected increase in sales justifies implementing a segmentation strategy.
6. Additionally, it is advised that organizations organize around market segments rather than products in order to maximize the advantages of market segmentation.

Implementation Barriers:

1. The first group of barriers relates to senior management.
    a. Lack of leadership.
    b. Inactivity and lack of commitment.
    c. Lacking knowledge of the process of market segmentation analysis.
    d. Inadequate allocation of resources.

2. A second group of barriers relates to organizational culture.
    a. Lack of market or consumer orientation.
    b. Resistance to innovation and change.
    c. Ineffective communication and a lack of information and insight sharing between organizational units.
    d. Politics at work and short-term thinking.

3. The third group of barriers are:
    a. Lack of training in market segmentation analysis.
    b. Lack of a qualified data manager and analyst in the organization.
    c. Lack of financial resources, or the inability to make the structural changes required.

4. Process-related barriers include.
    a. Not having clarified the objectives of the market segmentation exercise.
    b. Lack of planning or bad planning.
    c. A lack of structured processes to guide the team through all steps of the market segmentation process.
    d. A lack of allocation of responsibilities and time pressure.

The majority of these barriers can be identified at the start of a market segmentation study and then removed proactively.

If barriers cannot be removed, the option of abandoning the attempt to explore market segmentation as a potential future strategy should be seriously considered.

Following the first step-1 checklist is important, and market segmentation shouldn't be taken into account if we don't get the desired response to any of the questions.

Step 2: Specifying the Ideal Target Segment

Segment Evaluation Criteria

1. The organization must determine two sets of segment evaluation criteria.
    a. Knock-out criteria are the essential, non-negotiable features of segments that the organization would consider targeting.
    b. Attractiveness criteria are used to evaluate the relative attractiveness of the remaining market segments – those in compliance with the knock-out criteria.

2. Knock-out criteria
   The segments must be
    a. Homogeneous
    b. Distinct
    c. Large Enough
    d. Matching the strengths of the organization.
    e. Members of the segment must be identifiable.
    f. The segment must be reachable

   The segmentation team, the advisory committee, and senior management must all be aware of the knock-out criteria.

3. Attractiveness criteria are not binary in nature. Segments are not graded as either meeting or failing to meet attractiveness criteria. Instead, each market segment is rated; it can be more or less appealing in relation to a specific criterion.

Step 3: Collecting Data

Segmentation Variables

1. Empirical data forms the basis of both commonsense and data-driven market segmentation. The term segmentation variable refers to the variable in the empirical data used in commonsense segmentation to split the sample into market segments.
2. In commonsense segmentation, the segmentation variable is typically one single characteristic of the consumers in the sample.
3. Market segments are created by simply splitting the sample using this segmentation variable into segments.
4. Data-driven market segmentation is based on multiple segmentation variables.
5. Data quality determines the quality of the extracted data-driven market segments, and the quality of the descriptions of the resulting segments. Good market segmentation analysis requires good empirical data.

Segmentation Criteria

1. The term segmentation criterion relates to the nature of the information used for market segmentation.
2. The most common segmentation criteria are geographic, sociodemographic, psychographic and behavioral.
    a. Geographic Segmentation: Geographic information is regarded as the original segmentation criterion used for market segmentation. The only criterion used to form market segments is the consumer's residence location.
    b. Socio-Demographic Segmentation: socio-demographic segmentation criteria include age, gender, income and education.
    c. Psychographic Segmentation: When people are grouped according to psychological criteria, such as their beliefs, interests, preferences, aspirations, or benefits sought when purchasing a product, the term psychographic segmentation is used.
    d. Behavioral Segmentation: Another approach to segment extraction is to search directly for similarities in behavior or reported behavior.

Data from Survey Studies

Most market segmentation analyses are based on survey data. Survey data is cheap and easy to collect, making it a feasible approach for any organization. A few key aspects that need to be considered when using survey data are

- contain all necessary items;
- contain no unnecessary items;
- contain no correlated items;
- contain high-quality responses;
- be binary or metric;
- be free of response styles;
- include responses from a suitable sample given the aim of the segmentation study; and
- include a sufficient sample size given the number of segmentation variables (100 times the number of segmentation variables).

Data from Internal Sources

- Organizations are increasingly gaining access to large amounts of internal data that can be used for market segmentation analysis.
- The strength of such data lies in the fact that it represents actual consumer behavior.
- Another advantage is that such data is typically generated automatically, requiring no additional effort to collect.
- The risk of relying on internal data is that it may be systematically skewed by over representing existing customers.

Data from Experimental Studies

- Experiment data can come from both field and laboratory experiments.
- The goal of such studies is to present consumers with carefully crafted stimuli that include specific levels of specific product attributes.
- Conjoint studies and choice experiments yield information about how much each attribute and attribute level influences choice. This data can also serve as a segmentation criterion.

Step 4: Exploring Data

The exploration stage also offers guidance on the most suitable algorithm for extracting meaningful market segments.
At a more technical level, data exploration helps to

(1) identify the measurement levels of the variables;
(2) investigate the univariate distributions of each of the variables;
(3) assess dependency structures between variables.

In addition, data may need to be pre-processed and prepared so it can be used as input for different segmentation algorithms. Results from the data exploration stage provide insights into the suitability of different segmentation methods for extracting market segments.

Data Cleaning:

- The first step before commencing data analysis is to clean the data.
- This includes checking if all values have been recorded correctly, and if consistent labels for the levels of categorical variables have been used.
- For many metric variables, the range of plausible values is known in advance.

Descriptive Analysis:

- Being familiar with the data helps to avoid misinterpretation of results from complex analyses. Data insights are provided by descriptive numerical and graphic representations.
- Histograms, box plots, and scatter plots are all useful graphical methods for numerical data. Bar plots of frequency counts are useful for visualizing categorical variables.
- Histograms reveal whether a variable's distribution is unimodal, symmetric, or skewed.
- The boxplot is the most common graphical representation of unimodal distributions in statistics.

Pre-Processing:

1. Categorical Variables:
    a. Two pre-processing procedures are often used for categorical variables.
    b. One is merging levels of categorical variables before further analysis, the other one is converting categorical variables to numeric ones.
    c. Merging levels of categorical variables is useful if the original categories are too differentiated.
    d. Binary answer options are less prone to capturing response styles, and do not require data pre-processing.
2. Numeric Variables:
    a. The range of values of a segmentation variable affects its relative influence in distance-based methods of segment extraction.
    b. To balance the influence of segmentation variables on segmentation results, variables can be standardized.
    c. Standardizing variables means transforming them in a way that puts them on a common scale.

Principal Components Analysis:

- Principal components analysis (PCA) transforms a multivariate data set containing metric variables into a new data set with variables referred to as "principal components," which are uncorrelated and ordered by importance.
- The first variable (principal component) contains most of the variability; the second principle component contains the second-most variability, and so on.
- The transformation obtained from principal component analysis is used to project high-dimensional data into lower dimensions for plotting purposes.
- For each principal component (PC), the matrix lists the standard deviation, proportion of explained variance of the original variables, and cumulative proportion of explained variance.
- Reducing dimensionality by selecting only a limited number of principal components has also been recommended in the early segmentation literature but has since been shown to be highly problematic.
- The key problem is that this procedure replaces the original variables with a subset of factors, or principal components.
- While using a subset of principal components as segmentation variables is therefore not recommended, it is safe to use principal component analysis to explore the data and identify highly correlated variables.

Step 5:-

Data Exploration:

Data exploration is the first step of data analysis used to explore and visualize data to uncover insights from the start or identify areas or patterns to dig into more. Using interactive dashboards and point-and-click data exploration, users can better understand the bigger picture and get to insights faster.

This approach speeds up time to answers and deepens users' understanding by covering more ground in less time. Data exploration is important for this reason because it democratizes access to data and provides governed self-service analytics.

Furthermore, businesses can accelerate data exploration by provisioning and delivering data through visual data marts that are easy to explore and use. Data exploration can help businesses explore large amounts of data quickly to better understand next steps in terms of further analysis.

This gives the business a more manageable starting point and a way to target areas of interest. In most cases, data exploration involves using data visualizations to examine the data at a high level.

By taking this high-level approach, businesses can determine which data is most important and which may distort the analysis and therefore should be removed. Data exploration can also be helpful in decreasing time spent on less valuable analysis by selecting the right path forward from the start.

Data cleaning

Data cleaning, sometimes referred to as data munging or exploratory data analysis, explains the process of examining raw data and condensing it down to a more usable form.

Removal of unwanted observations

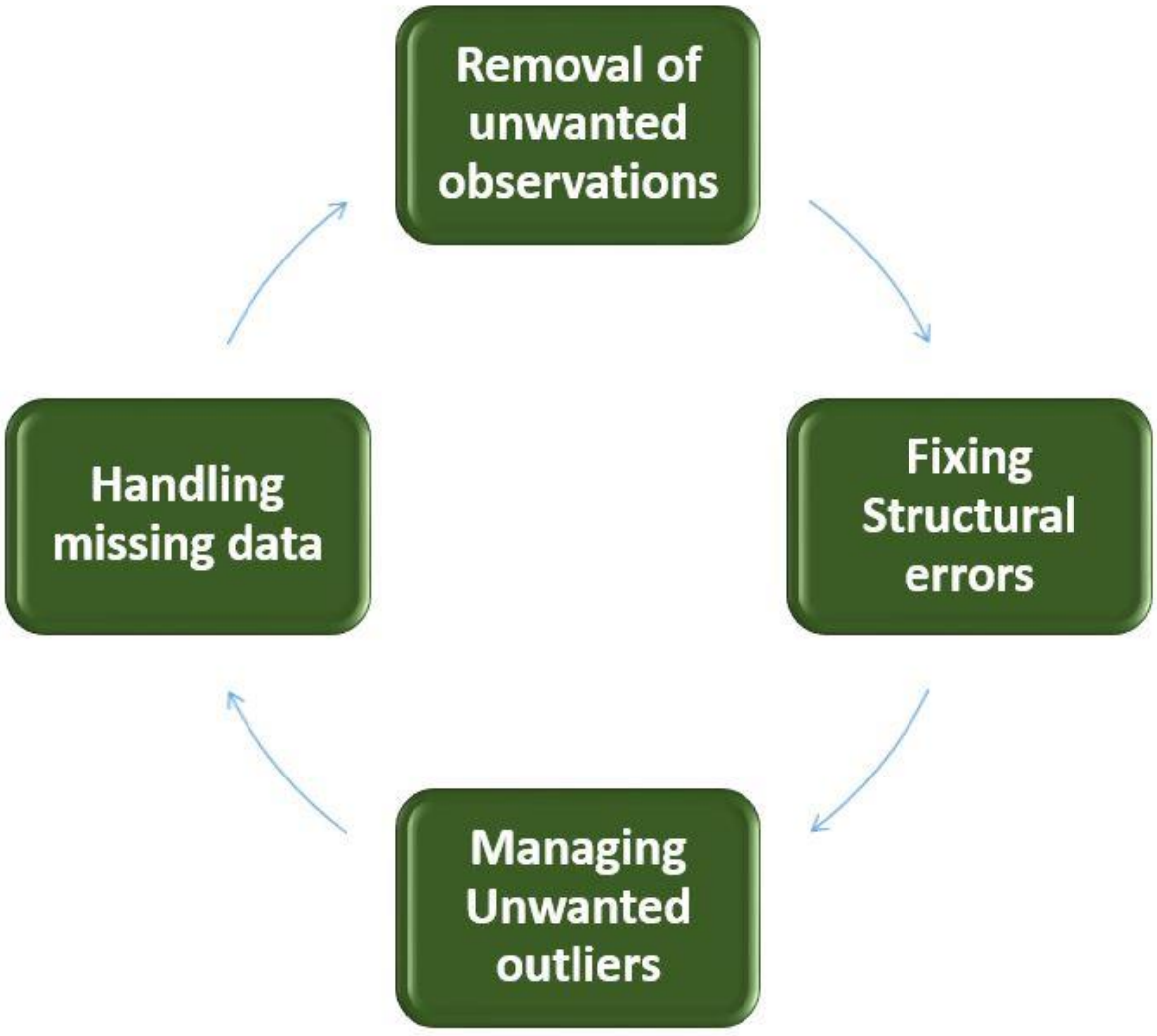
This includes deleting duplicate/ redundant or irrelevant values from your dataset. Duplicate observations most frequently arise during data collection and Irrelevant observations are those that don't actually fit the specific problem that you're trying to solve.

- Redundant observations alter the efficiency by a great extent as the data repeats and may add towards the correct side or towards the incorrect side, thereby producing unfaithful results.
- Irrelevant observations are any type of data that is of no use to us and can be removed directly.

2. **Fixing Structural errors**
   The errors that arise during measurement, transfer of data, or other similar situations are called structural errors. Structural errors include typos in the name of features, the same attribute with a different name, mislabeled classes, i.e. separate classes that should really be the same, or inconsistent capitalization.
3. **Managing Unwanted outliers**
   Outliers can cause problems with certain types of models. For example, linear regression models are less robust to outliers than decision tree models. Generally, we should not remove outliers until we have a legitimate reason to remove them. Sometimes, removing them improves performance, sometimes not. So, one must have a good reason to remove the outlier, such as suspicious measurements that are unlikely to be part of real data.

4. **Handling missing data**
   Missing data is a deceptively tricky issue in machine learning. We cannot just ignore or remove the missing observation. They must be handled carefully as they can be an indication of something important. The two most common ways to deal with missing data are:
   - Dropping observations with missing values.
     - The fact that the value was missing may be informative in itself.
     - Plus, in the real world, you often need to make predictions on new data even if some of the features are missing!

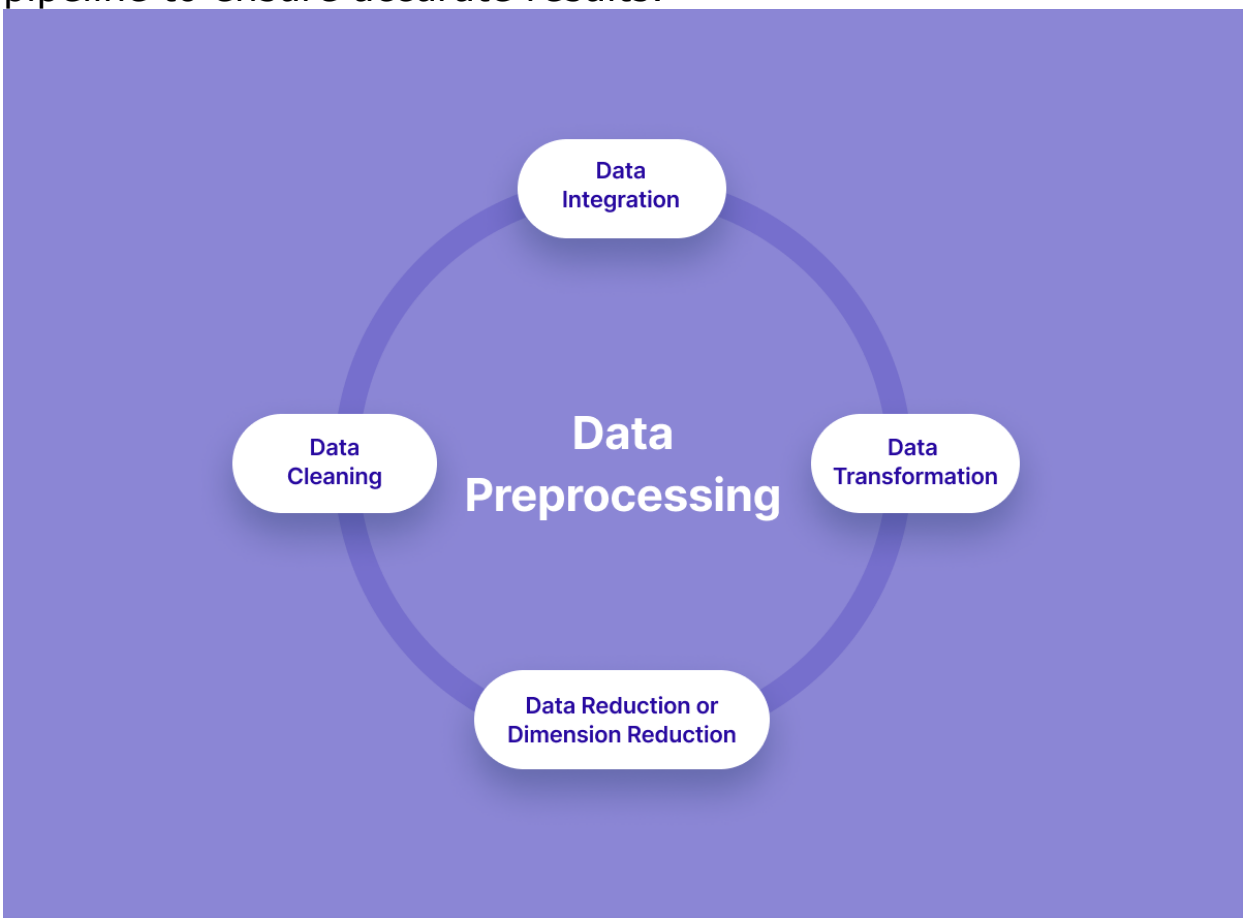
Imputing the missing values from past observations.
Again, "missingness" is almost always informative in itself, and you should tell your algorithm if a value was missing.
Even if you build a model to impute your values, you're not adding any real information. You're just reinforcing the patterns already provided by other features.

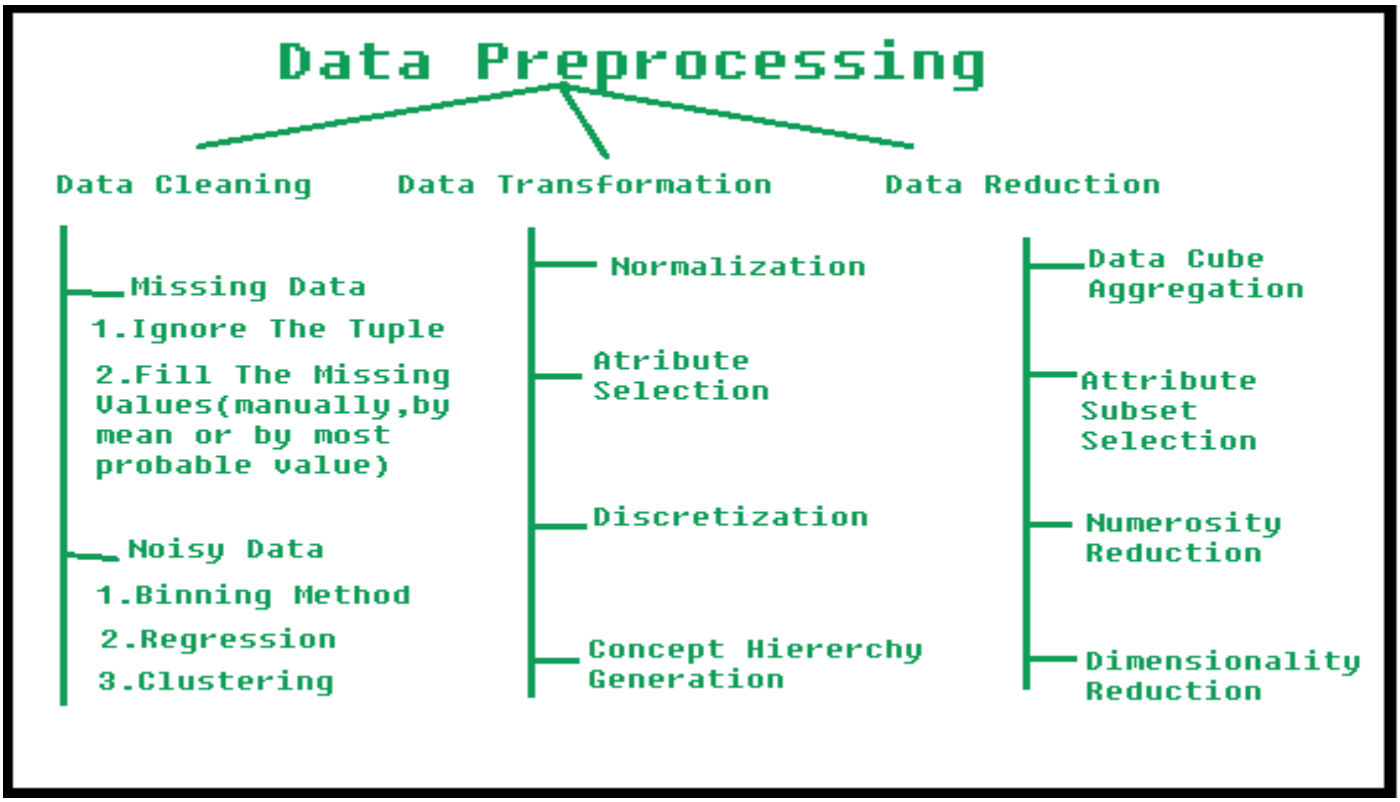


Data analytics is a valuable tool for businesses aiming to increase revenue, improve products, and retain customers. According to research by global management consulting firm McKinsey & Company, companies that use data analytics are 23 times more likely to outperform competitors in terms of new customer acquisition than non data- driven companies.

Data preprocessing

Data preprocessing, a component of data preparation, describes any type of processing performed on raw data to prepare it for another data processing procedure. It has traditionally been an important preliminary step for the data mining process. More recently, data preprocessing techniques have been adapted for training machine learning models and AI models and for running inferences against them.
Data preprocessing transforms the data into a format that is more easily and effectively processed in data mining, machine learning and other data science tasks. The techniques are generally used at the earliest stages of the machine learning and AI development pipeline to ensure accurate results.





SEGMENT ANALYSIS

A segment is a subset of your Analytics data. For example, of your entire set of users, one segment might be users from a particular country or city. Another segment might be users who purchase a particular line of products or who visit a specific part of your site. Segments let you isolate and analyze those subsets of data so you can examine and respond to the component trends in your business. For example, if you find that users from a particular geographic region are no longer purchasing a line of products in the same volume as they normally have, you can see whether a competing business is offering the same types of products at lower prices.

Distance-Based Methods

Distance-based methods use the dissimilarity (the distance) between thetwo sequences to construct trees. They are much less computationally intensive than the character based methods are mostly accurate as they take mutations into count. For tree generation, generally, hierarchical clustering is used in which dendrograms (clusters) are created.

Hierarchical Method

In this method, a hierarchical decomposition of the given set of data objects is created.
There are two types of approaches for the creation ofhierarchical decomposition, they are:

Agglomerative Approach: The agglomerative approach is also known as the bottom-up approach. Initially, the given data is divided into which objects form separate groups. Thereafter it keeps on merging the objects or the groups that are close to one another which means that they exhibit similar properties. This merging process continues until the termination condition holds.
Divisive Approach: The divisive approach is also known as the top- down approach. In this approach, we would start with the data objects that are in the same cluster. The group of individual clusters is divided into small clusters by continuous iteration. The iteration continues until the condition of termination is met or until each cluster contains one object. Once the group is split or merged then it can never be undone as it is a rigid method and is not so flexible. The two approaches which can be used to improve the Hierarchical Clustering.

Density-Based Method:

The density-based method mainly focuses on density. In this method,the given cluster will keep on growing continuously as long as the density in the neighbourhood exceeds some threshold, i.e, for each data point within a given cluster. The radius of a given cluster has to contain at least a minimum number of points.

Grid-Based Method: In the Grid-Based method a grid is formed using the object together,i.e,the object space is quantized into a finite number of cells that form a grid structure. One of the major advantages of the grid-based method is fast processing time and it is dependent only on the number of cells in each dimension in the quantized space. The processing time for this method is much faster so it can save time.

Model-Based Method

In the model-based method, all the clusters are hypothesized in order to find the data which is best suited for the model. The clustering of the density function is used to locate the clusters for a given model. It reflects the spatial distribution of data points and also provides a way to automatically determine the number of clusters

based on standard statistics, taking outlier or noise into account. Therefore it yields robust clustering methods.

Constraint-Based Method: The constraint-based clustering method is performed by the incorporation of application or user-oriented constraints. Aconstraint refers to the user expectation or the properties of the desired clustering results. Constraints provide us with an interactive way of communication with the clustering process. Identifiable. You should be able to identify customers in each segment and measure their
characteristics, like demographics or usage behavior.
Substantial. It's usually not cost-effective to target small segments — a segment, therefore, must be large enough to be potentially profitable.
Accessible. It sounds obvious, but your company should be able to reach its segments via communication and distribution channels. When it comes to young people, for example, your company should have access to Twitter and Tumblr and know how to use them authentically or, as Clearblue smartly did, reach out to celebrities with active Twitter presences to do some of your marketing for you.
Stable. In order for a marketing effort to be successful, a segment should be stable enough for a long enough period of time to be marketed to strategically. For example, lifestyle is often used as a way to segment. But research has found that, internationally, lifestyle is dynamic and constantly evolving. Thus, segmenting based on that variable globally might no be wise.
Differentiable. The people (or organizations, in B2B marketing) in a segment should have similar needs that are clearly different from the needs of other people in other segments.
Actionable. You have to be able to provide products or services to your segments. One U.S. insurance company, for example, spent a lot of time and money identifying a segment, only to discover that it couldn't find any customers for its insurance product in that segment, nor was the organization able to design any actions to target them.

Step 6: Profiling Segments

The aim of the profiling step is to get to know the **market segments resulting** from the extraction step.

- Profiling is only required when data-driven market segmentation is used.
- For commonsense segmentation, the profiles of the segments are predefined.

  If, for example, age is used as the segmentation variable for the commonsense segmentation, it is obvious that the resulting segments will be age groups.

The situation is quite different in the case of data-driven segmentation: users of the segmentation solution may have decided to extract segments on the basis of benefits sought by consumers.

Identifying Key Characteristics of Market Segments

Profiling consists of characterising the market segments individually, but also in comparison to the other market segments. (If winter tourists in Austria are asked about their vacation

activities, most state they are going alpine skiing. Alpine skiing may characterise a segment, but alpine skiing may not differentiate a segment from other market segments.)

Traditional Approaches to Profiling Market Segments

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, or (2) as large tables that provide, for each segment, exact percentages for each segmentation variable.

Such tables are hard to interpret, and it is virtually impossible to get a quick overview of the key insights.

Table 8.1 below provides the exact percentage of members of each segment that indicate that each of the travel motives matters to them. To identify the defining characteristics of the market segments, the percentage value of each segment for each segmentation variable needs to be compared with the values of other segments or the total value provided in the far right column.

Table 8.1 Six segments computed with the neural gas algorithm for the Australian travel motives data set. All numbers are percentages of people in the segment or in the total sample agreeing to the motives

	Seg. 1	Seg. 2	Seg. 3	Seg. 4	Seg. 5	Seg. 6	Total
Rest and relax	83	96	89	82	98	96	90
Change of surroundings	27	82	73	82	87	77	67
Fun and entertainment	7	71	81	60	95	37	53
Free-and-easy-going	12	65	58	45	87	75	52
Not exceed planned budget	23	100	2	49	84	73	51
Life style of the local people	9	29	30	90	75	80	46
Good company	14	59	40	58	77	55	46
Excitement, a challenge	9	17	39	57	76	36	33
Maintain unspoilt surroundings	9	10	16	7	67	95	30
Cultural offers	4	2	5	96	62	38	28
Luxury / be spoilt	19	24	39	13	89	6	28
Unspoilt nature/natural landscape	10	10	13	15	69	64	26
Intense experience of nature	6	8	9	21	50	58	22
Cosiness/familiar atmosphere	11	24	12	7	49	25	19
Entertainment facilities	5	25	30	14	53	6	19
Not care about prices	8	7	43	19	29	10	18
Everything organised	7	21	15	12	46	9	16
Do sports	8	12	13	10	46	7	14
Health and beauty	5	8	10	8	49	16	12
Realise creativity	2	2	3	8	29	14	8

The basis of interpreting segments shows that the defining characteristics of segment 2, for example, are: being motivated by rest and relaxation, and not wanting to exceed the planned travel budget.

Segment Profiling with Visualization's

Graphics are particularly important in exploratory statistical analysis (like cluster analysis) because they provide insights into the complex relationships between variables. In addition, in times of big and increasingly bigger data, visualization offers a simple way of monitoring developments over time.

Visualisations are useful in the data-driven market segmentation process to inspect, for each segmentation solution, one or more segments in detail.
The process of segmenting data always leads to a large number of alternative solutions. Selecting one of the possible solutions is a critical decision. Visualisations of solutions assist the data analyst and user with this task.

8.3.1 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

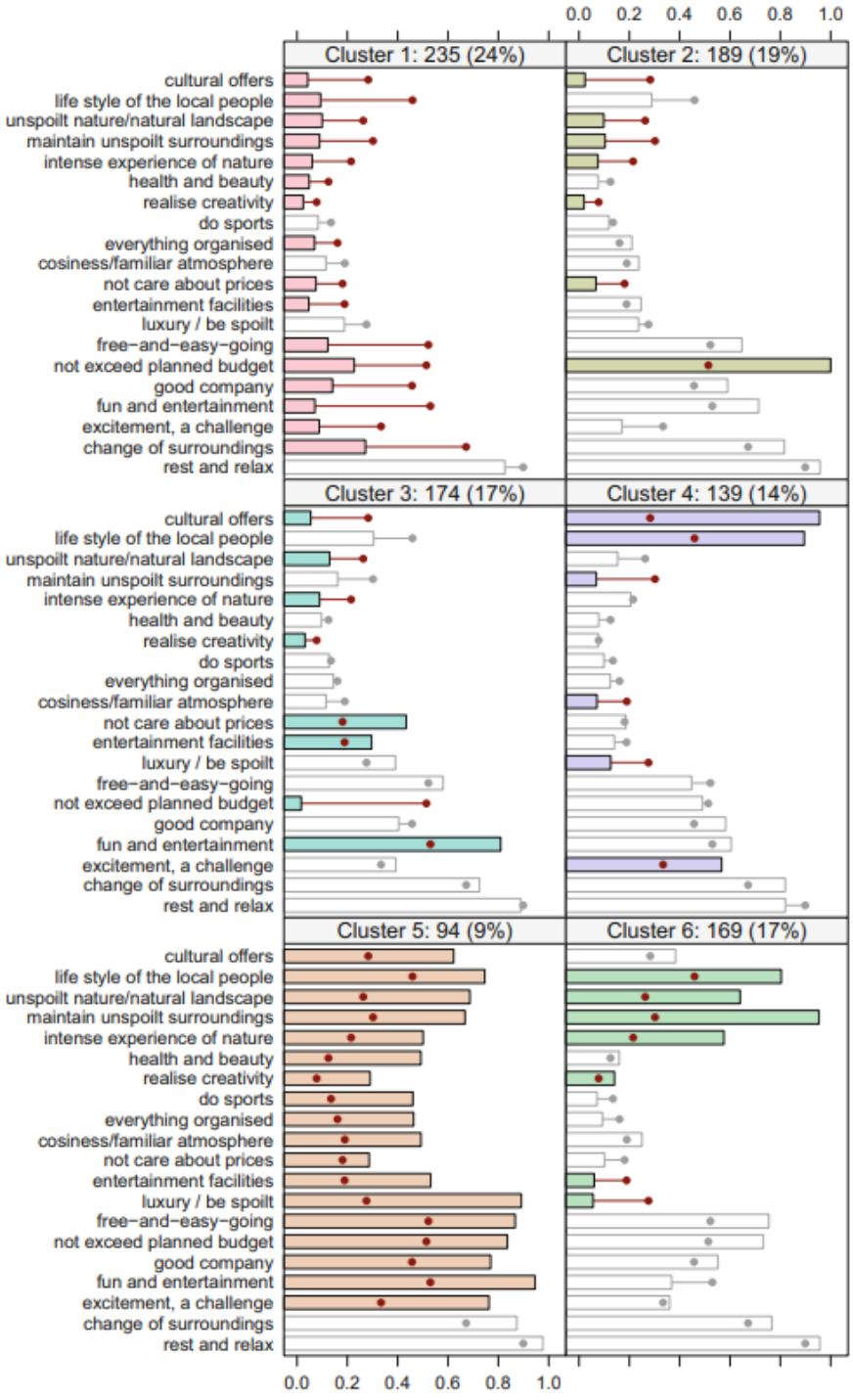
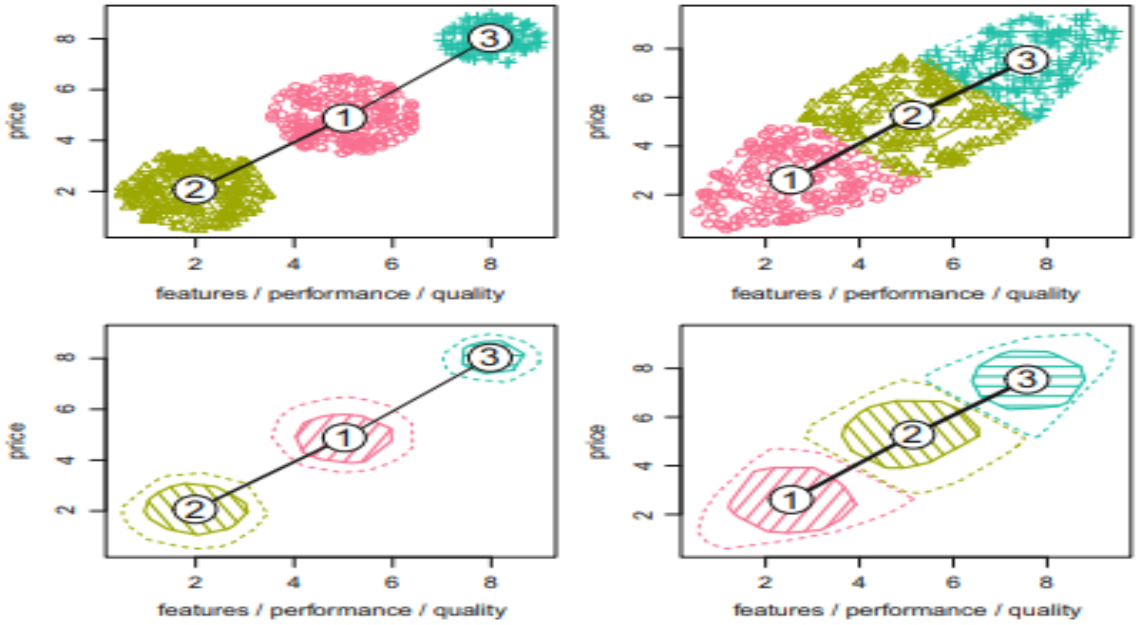


Fig. 8.2 Segment profile plot for the six-segment solution of the Australian travel motives data set

The segment profile plot in Fig. 8.2 contains the same information as Table 8.1: the percentage of segment members indicating that each of the travel motives matters to them. Marker variables are highlighted in color. As can be seen, a segmentation solution presented using a segment profile plot (such as the one shown in Fig. 8.2) is much easier and faster to interpret than when it is presented as a table, no matter how well the table is structured. We see that members of segment 2 are characterized primarily by not wanting to exceed their travel budget.

8.3.2 Assessing Segment Separation

Segment separation can be visualized in a segment separation plot. The segment separation plot depicts – for all relevant dimensions of the data space – the overlap of segments. Segment separation plots are very simple if the number of segmentation variables is low, but become complex as the number of segmentation variables increases. But even in such complex situations, segment separation plots offer data analysts and users a quick overview of the data situation, and the segmentation solution.



Examples of segment separation plots are provided in above Fig. 8.4 for two different data sets (left compared to right column). These plots are based on two of the artificial data sets, the data set that contains three distinct, wellseparated segments. The segment separation plot consists of (1) a scatter plot of the (projected) observations coloured by segment membership and the (projected) cluster hulls, and (2) a neighbourhood graph. Neighbourhood graphs (black lines with numbered nodes) indicate similarity between segments

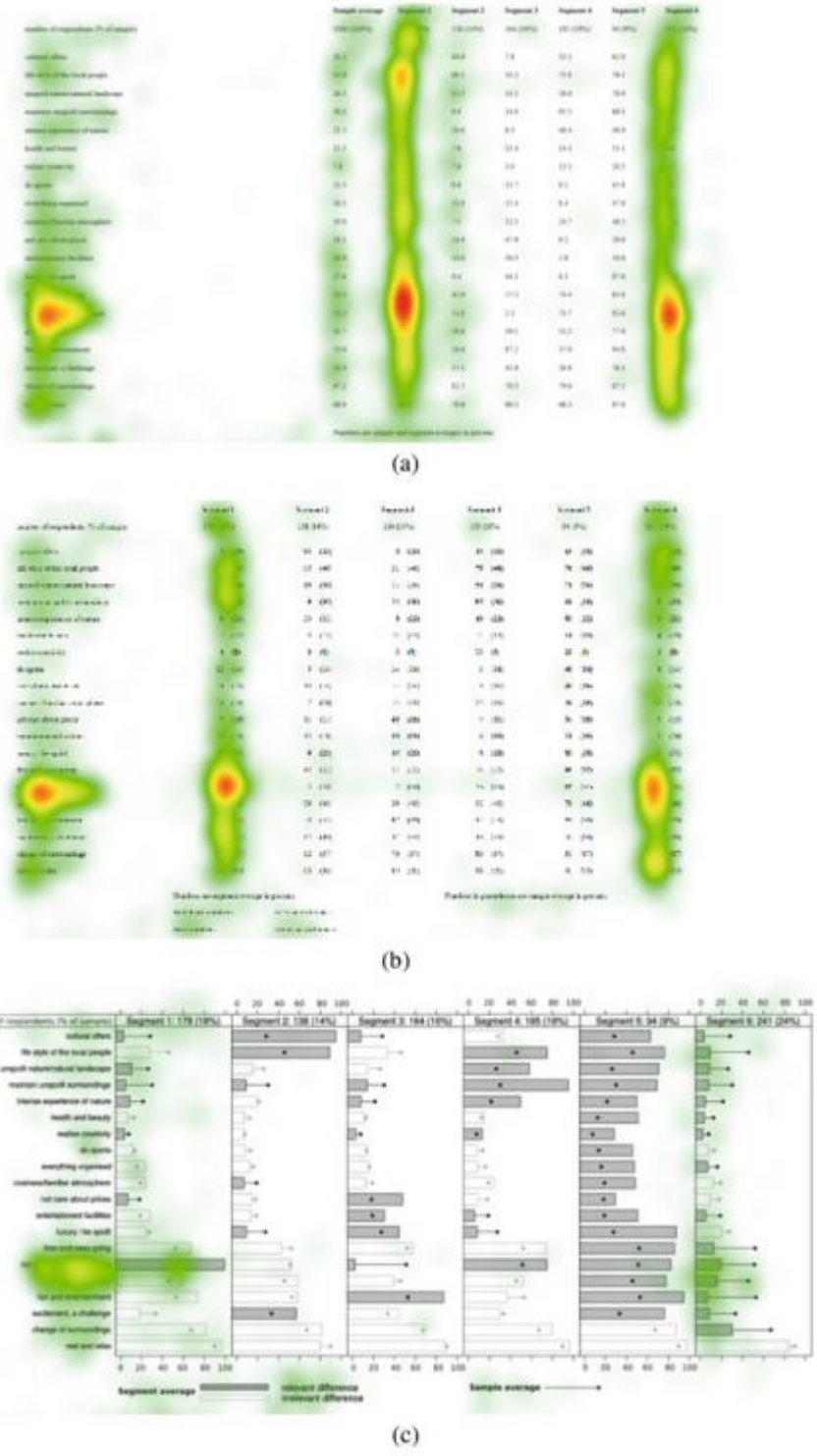


Fig. 8.3 One person's eye tracking heat maps for three alternative ways of presenting segmentation results. (**a**) Traditional table. (**b**) Improved table. (**c**) Segment profile plot

Step 7: Describing Segments

9.1 Developing a Complete Picture of Market Segments

- A market segment is a group of people who share one or more similar characteristics.

Segment profiling is about understanding differences in segmentation variables across market segments. (Segmentation variables form the basis for extracting market segments from empirical data.)
Describing segments is similar to the profiling step. The only difference is that the variables being inspected have not been used to extract market segments. Rather, in Step 7 market segments are described using additional information available about segment members.
[If committing to a target segment is like a marriage, profiling and describing market segments is like going on a number of dates to get to know the potential spouse as well as possible in an attempt to give the marriage the best possible chance, and avoid nasty surprises down the track.]
Good descriptions of market segments are critical to gaining detailed insight into the nature of segments. In addition, segment descriptions are essential for the development of a customised marketing mix. Imagine, for example, wanting to target segment 4.
We can study differences between market segments with respect to descriptor variables in two ways: we can use descriptive statistics including visualisations, or we can analyse data using inferential statistics.

9.2 Using Visualisations to Describe Market Segments

A wide range of charts exist for the visualisation of differences in descriptor variables. Here, we discuss two basic approaches suitable for nominal and ordinal descriptor variables (such as gender, level of education, country of origin), or metric descriptor variables (such as age, number of nights at the tourist destinations, money spent on accommodation).
Using graphical statistics to describe market segments simplifies the interpretation of results for both the data analyst and the user.

9.2.1 Nominal and Ordinal Descriptor Variables

Differences Between Nominal and Ordinal Variable The ordinal variable has an **intrinsic order while nominal variables do not have an order**. It is only the mode of a nominal variable that can be analyzed while analysis like the median, mode, quantile, percentile, etc. can be performed on ordinal variables.

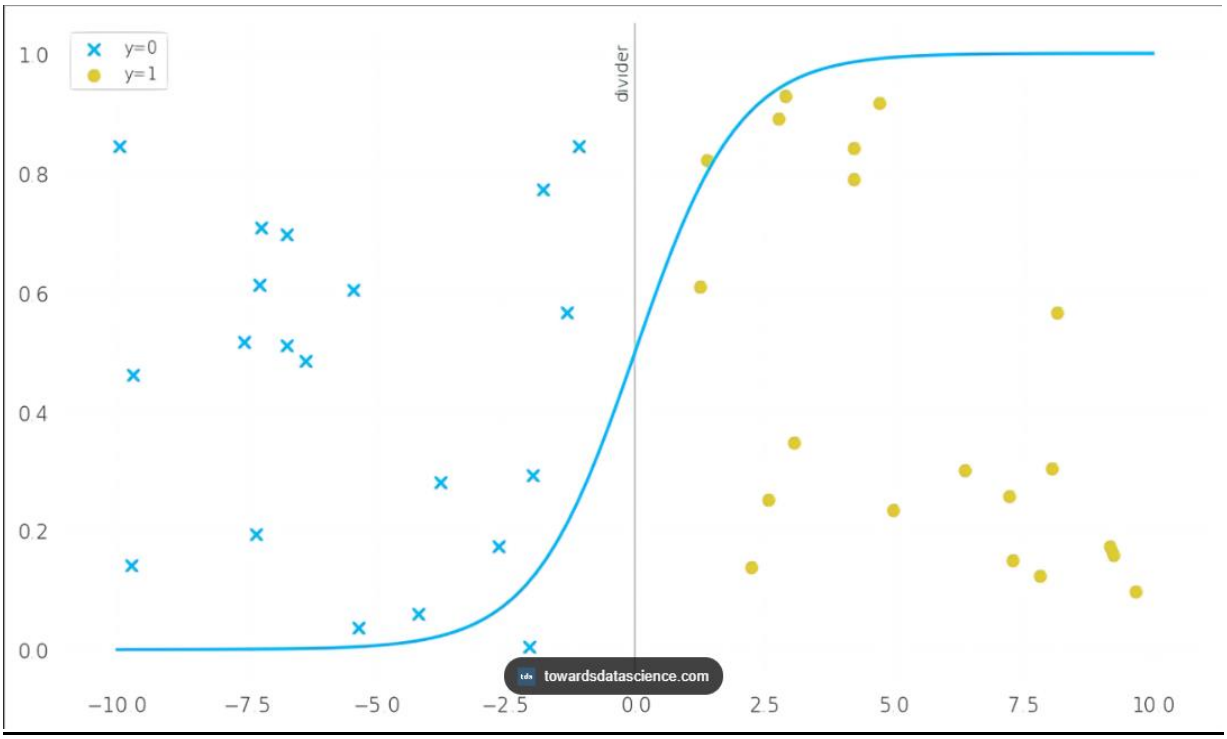
9.2.2 Metric Descriptor Variables

9.3 Testing for Segment Differences in Descriptor Variables

9.4 Predicting Segments from Descriptor Variables

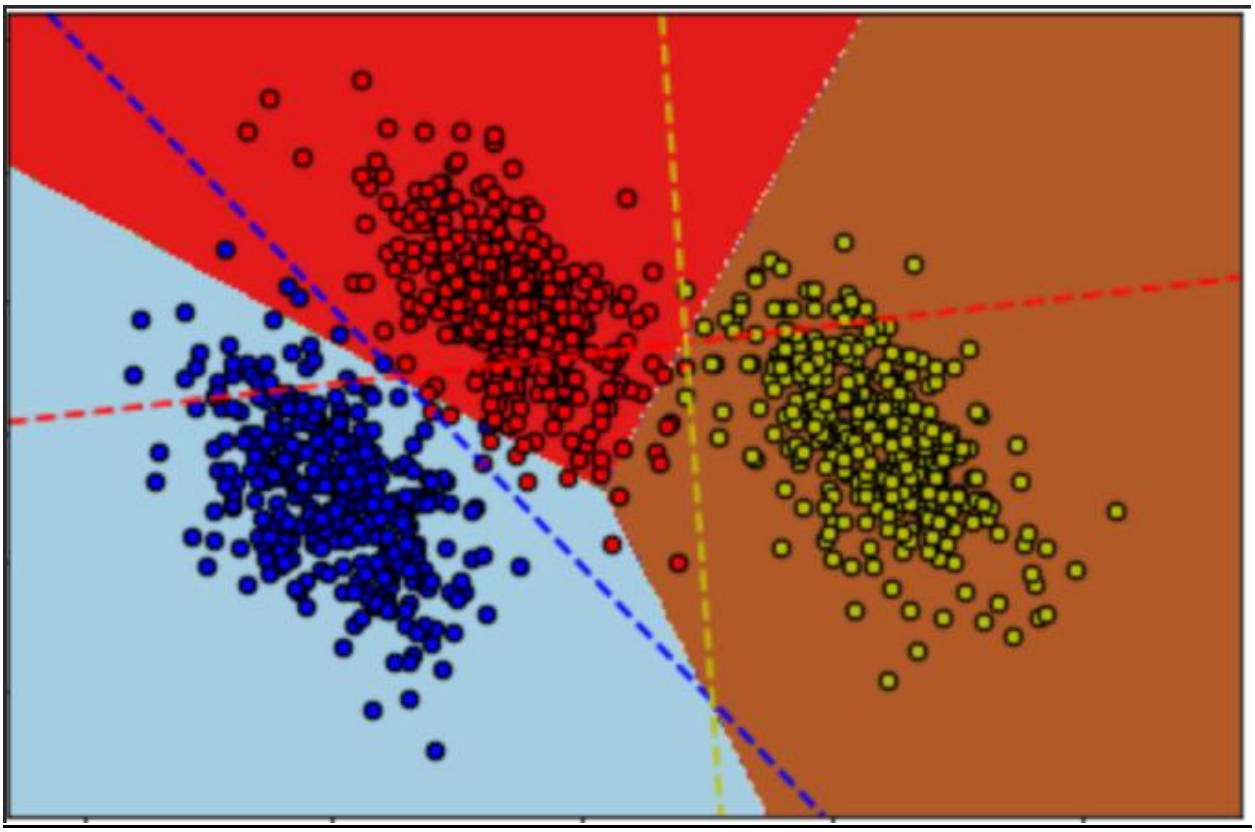
9.4.1 Binary Logistic Regression

Binary logistic regression (LR) is a **regression model where the target variable is binary**, that is, it can take only two values, 0 or 1.



9.4.2 Multinomial Logistic Regression

Multinomial logistic regression can fit a model that predicts each segment simultaneously. Because segment extraction typically results in more than two market segments, the dependent variable y is not binary. Rather, it is categorical and assumed to follow a multinomial distribution with the logistic function as link function.



9.4.3 Tree-Based Methods

The tree approach uses a stepwise procedure to fit the model. At each step, consumers are split into groups based on one independent variable. The aim of the split is for the resulting groups to be as pure as possible with respect to the dependent variable. This means that consumers in the resulting groups have similar values for the dependent variable.

Step 8: Selecting the Target Segment(s)

The Targeting Decision

Step 8 is where the rubber hits the road. Now the big decision is made: which of the many possible market segments will be selected for targeting? Market segmentation is a strategic marketing tool. The selection of one or more target segments is a longterm decision significantly affecting the future performance of an organisation. This is when the flirting and dating is over; it's time to buy a ring, pop the question, and commit.

After a global market segmentation solution has been chosen – typically at the end of Step 5 – a number of segments are available for detailed inspection.

These segments are profiled in Step 6, and described in Step 7.

In Step 8, one or more of those market segments need to be selected for targeting.

The segmentation team can build on the outcome of Step 2.

During Step 2, knock-out criteria for market segments have been agreed upon, and segment attractiveness criteria have been selected, and weighed to reflect the relative importance of each of the criteria to the organisation.

Optimally, the knock-out criteria have already been applied in previous steps.

For example,

in Step 6 market segments were profiled by inspecting their key characteristics in terms of the segmentation variables. It would have become obvious in Step 6 if a market segment is not large enough, not homogeneous or not distinct enough.

It would have become obvious in Step 7 – in the process of detailed segment description using descriptor variables – if a market segment is not identifiable or reachable.

And in both Steps 6 and 7, it would have become clear if a market segment has needs the organisation cannot satisfy.

Step 8 should already comply with the knock-out criteria. Nevertheless, it does not hurt to double check. The first task in Step 8, therefore, is to ensure that all the market segments that are still under consideration to be selected as target markets have well and truly passed the knock-out criteria test.

Once this is done, the attractiveness of the remaining segments and the relative organisational competitiveness for these segments needs to be evaluated.

In other words,

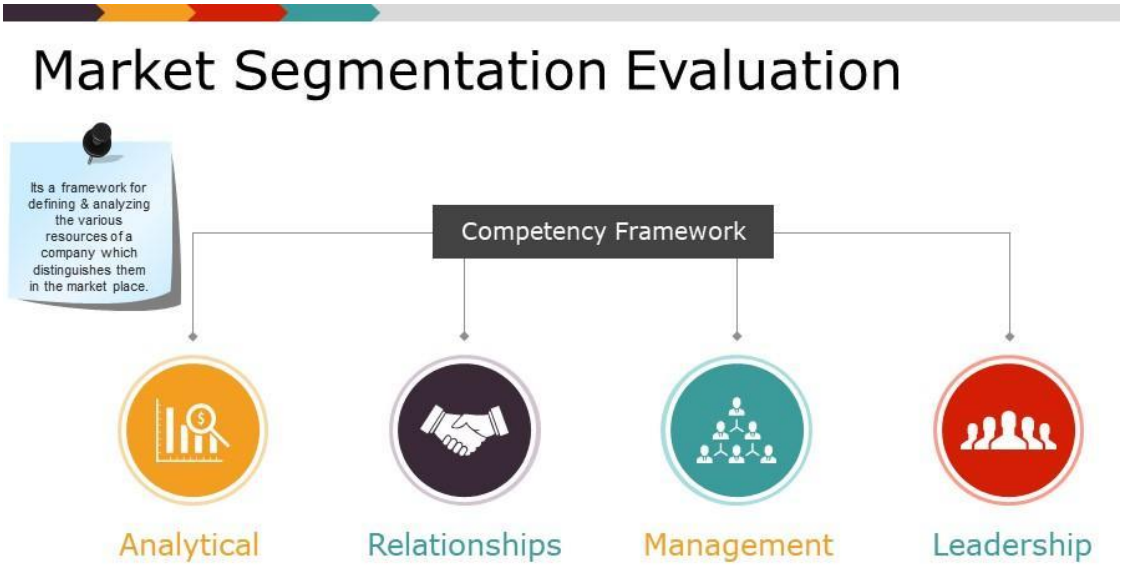
the segmentation team has to ask a number of questions which fall into two broad categories:

1. Which of the market segments would the organisation most like to target?

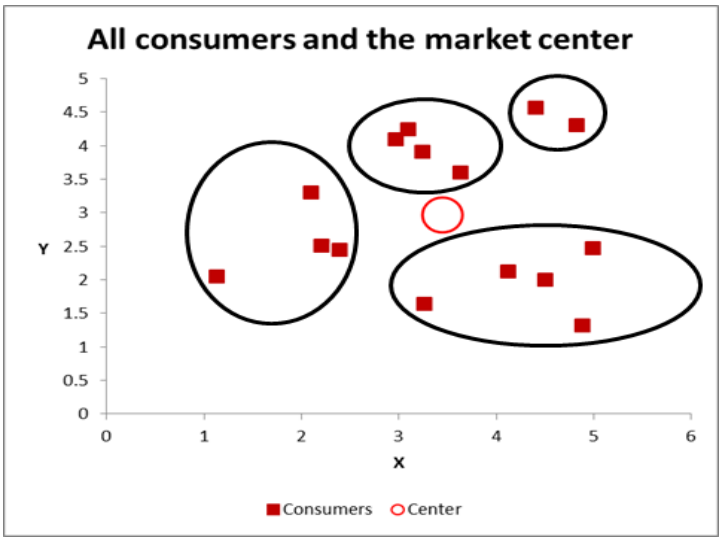
2. Which segment would the organisation like to commit to?
3. Which of the organisations offering the same product would each of the segments most like to buy from? 4.How likely is it that our organisation would be chosen?
5.How likely is it that each segment would commit to us?
Answering these questions forms the basis of the target segment decision.

Market Segment Evaluation

Segmentation is an important marketing technique that helps you reach each group of potential customers with an approach that appeals to them. Evaluating each segment ensures that your company doesn't waste resources on segments that won't buy your products. You have to match the characteristics of the marketing segment to the qualities of your product and the abilities of your company to achieve your sales performance objectives.



The aim of all these decision matrices along with their visualizations is to make it easier for the organisation to evaluate alternative market segments, and select one or a small number for targeting. It is up to the market segmentation team to decide which variation of the decision matrix offers the most useful framework to assist with decision making.
The ideal target segment was specified in Step 2 of the market segmentation analysis. Step 2 resulted in a number of criteria of segment attractiveness, and weights quantifying how much impact each of these criteria has on the total value of segment attractiveness.
In Step 8, the target segment selection step of market segmentation analysis, this information is critical. However, the piece of information missing to be able to select a target segment, is the actual value each market segment has for each of the criteria specified to constitute segment attractiveness.
These values emerge from the grouping, profiling, and description of each market segment. To determine the attractiveness value to be used in the segment evaluation plot for each segment, the segmentation team needs to assign a value for each attractiveness criterion to each segment.

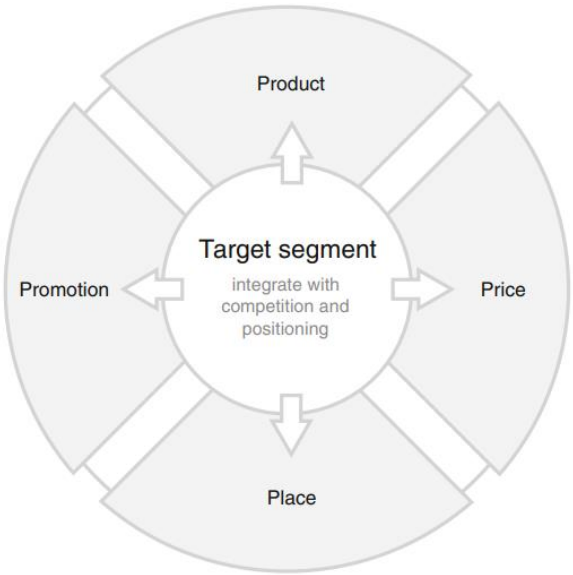


Step 9: Customising the Marketing Mix

Marketing was originally seen as a toolbox to assist in selling products, with marketers mixing the ingredients of the toolbox to achieve the best possible sales result.

Many versions of this marketing mix have since been proposed, but most commonly the marketing mix is understood as consisting of the 4Ps: Product, Price, Promotion and Place. Market segmentation does not stand independently as a marketing strategy. Rather, it goes hand in hand with the other areas of strategic marketing, most importantly: positioning and competition. In fact, the segmentation process is frequently seen as part of what is referred to as the segmentation-targeting-positioning (STP) approach .

The segmentation-targeting-positioning approach postulates a sequential process. The process starts with market segmentation (the extraction, profiling and description of segments), followed by targeting (the assessment of segments and selection of a target segment), and finally positioning (the measures an organisation can take to ensure that their product is perceived as distinctly different from competing products, and in line with segment needs).



Product:The selection of one or more specific target segments may require the design of new.
Price:The modification or re-branding of existing products changes to prices or discount structures.
Place:The selection of suitable distribution channels and the development of new communication
Promotion:Messages and promotion strategies that are attractive to the target segment.

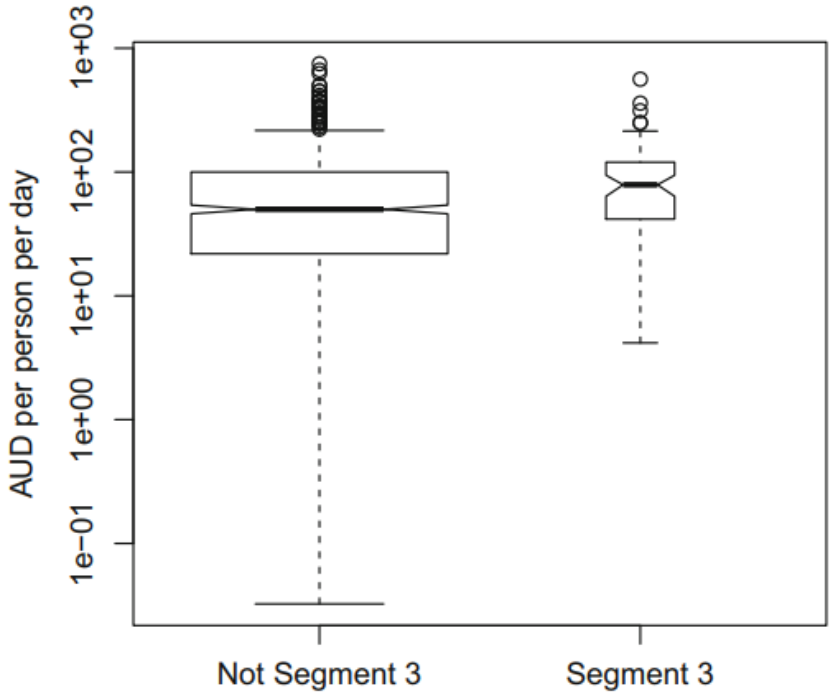
One option available to the organisation is to structure the entire market segmentation analysis around one of the 4Ps. This affects the choice of segmentation variables. . Typically, however, market segmentation analysis is not conducted in view of one of the 4Ps specifically. Rather, insights gained from the detailed description of the target segment resulting from Step 7 guide.

Product

One of the key decisions an organisation needs to make when developing the product dimension of the marketing mix, is to specify the product in view of customer needs. Often this does not imply designing an entirely new product, but rather modifying an existing one. Other marketing mix decisions that fall under the product dimension are: naming the product, packaging it, offering or not offering warranties, and after sales support services. In terms of the product targeted at this market segment, possible product measures may include developing a new product.

Price

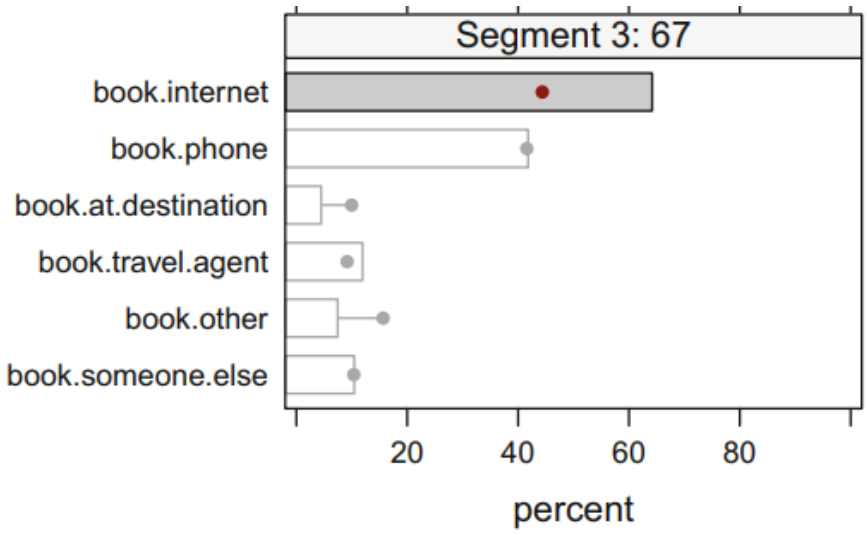
Typical decisions an organisation needs to make when developing the price dimension of the marketing mix include setting the price for a product, and deciding on discounts to be offered.

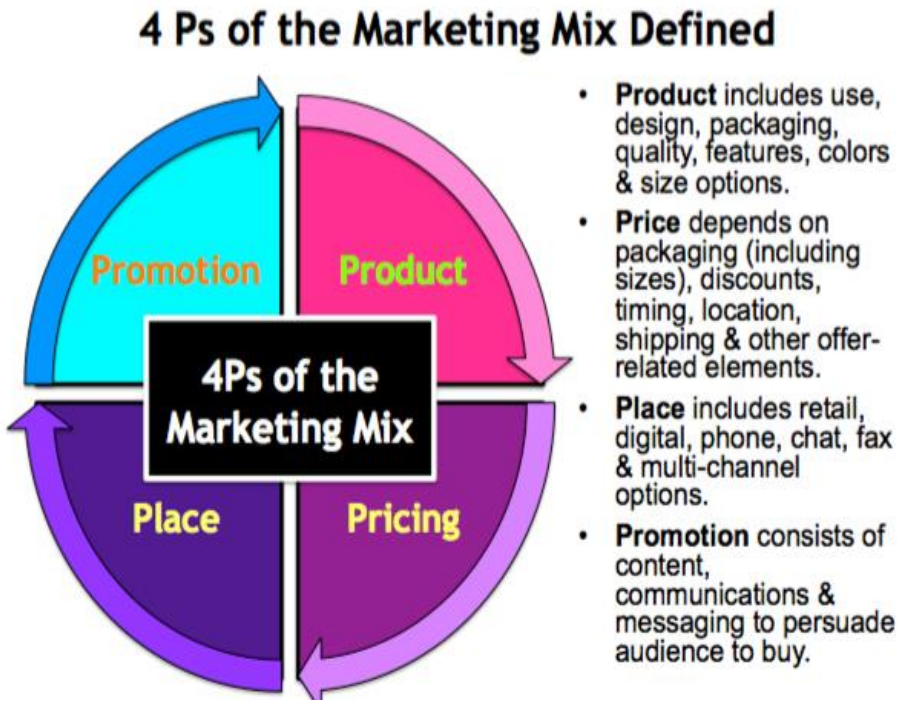


Place

The key decision relating to the place dimension of the marketing mix is how to distribute the product to the customers. This includes answering questions such as:

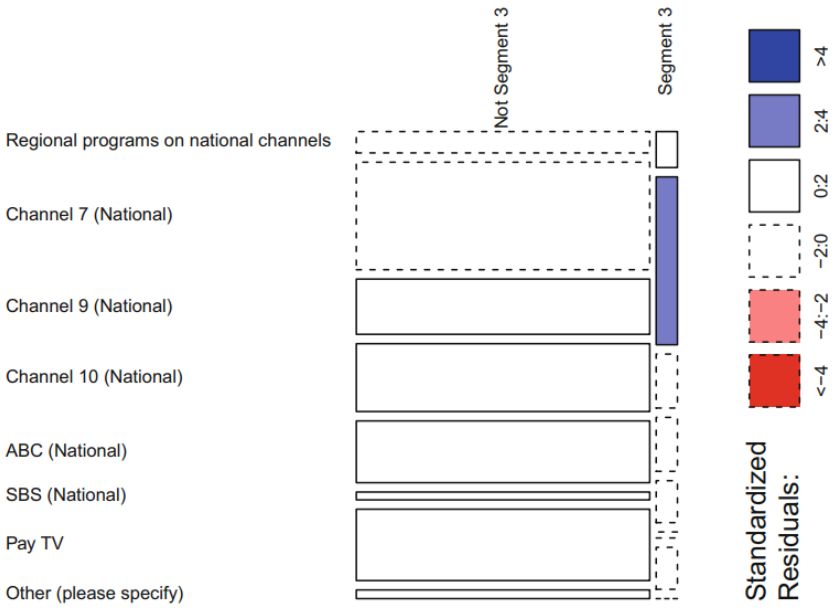
should the product be made available for purchase online or offline only or both;
should the manufacturer sell directly to customers; or should a wholesaler or a retailer or both be used.





Promotion

Typical promotion decisions that need to be made when designing a marketing mix include: developing an advertising message that will resonate with the target market, and identifying the most effective way of communicating this message. Other tools in the promotion category of the marketing mix include public relations, personal selling, and sponsorship.



Case study GitHub links:

S.no	Name	GitHub Link
1.	Aaryan Palit	https://github.com/Aaryan-palit/Feynn_Labs_Market_Segmentation.git
2.	Adarsh C R	https://github.com/AdarshKarthik/McDonalds_Market_Segmentation
3.	Syed Mohsin	https://github.com/mohsin-syed-vazir/Feynn_Labs_Market_segmentation
4.	Premonvitha Sai	https://github.com/Premonvitha-Sai/Feynn_labs-Study-Task.git
5.	Sushil chauhan	_____