

Market Segmentation Analysis

Parvathy M D

SUMMARY

STEP 1

Market segmentation is dividing the broad customers into groups with shared characteristics, market segmentation analysis helps to target them more efficiently

- Choosing market segmentation is like a long-term commitment, as the company has to be ready to make big changes and invest time and money
- There are costs involved, researching and implementing a segment strategy costs money. Expenses like studies, surveys, creating different product packages and can be considered beneficial only if they are profitable, covering the expenses
- To focus on different segments a company has to concentrate on many changes based on the segments, the company has to develop different products, change the existing ones, adjust prices, and find a way to sell and communicate about the project. This leads to changes in how the company is organized internally.
- As it changes the internal strategy and requires serious commitment, the decision for the strategy is made by top executives of the company.

Some books highlight the barriers that can stop market segmentation from working properly.

- Senior Management: If there is a lack of leadership, and commitment or does not provide enough money and resources market segmentation won't work.
- Organisational culture: if the company does not focus on what the customer wants, hates change, isn't creative, communicates poorly, do not think about the long term, market segmentation will not work
- Lack of Training: if the people in charge of implementing this do not understand the very foundation, or what it means to the company they won't be able to make it work.
- Without a marketing expert or a clear plan, market segmentation is tough, company may not have enough funds to make the required changes.
- Managers can be made to understand the market segmentation by using visual aids like graphs.

There can be a checklist created for the task to see if the company is ready to proceed with market segmentation.

STEP 2

A company needs to understand what the customers want, so we can tell that market segment analysis depends primarily on user input.

- There is a need for ongoing feedback from the customers, and customers should provide constant input throughout the market segmentation process and just at the beginning and at the end.
- After committing to the investigation the business figures out what must be included or avoided in their products or services. The evaluation criteria can be known as a knock of criteria.

- Attractiveness Criteria: the company decides what makes its product appealing. Books and literature offer a lot of different criteria for business

Knock out Criteria

Rules for Knock out Criteria are

- Homogeneous : The members should be familiar with each other
- Distinct: The group should be clearly different from other group
- Large enough: there should be enough to make the effort worth it
- It should be identifiable and reachable that communicate with the group

Implementing a structured process

Using segment evaluation plot can be used for selecting the target markets. To plot this the company needs to agree on what makes the group of customers attractive and what makes the company good at serving them. This should be done as teamwork. They can come up with a starting plan, propose a solution and report their choices to the advisory committee. When discussing with a senior executive it makes the plan more solid. This decision will affect each member of the team so it can be considered as important.

STEP 3

Empirical data is the information collected about the customers like a list. Segmentation variable is a specific feature used to create groups. Additional details are used to describe the groups more. Data-driven segmentation is a method that uses multiple features to make more specific groups. More information about the customers is required for making accurate groups. The more we know about the customers the better we can sort them and tailor products for them. We can get data for market segmentation from surveys, and purchase records.

Segmentation Criteria

Deciding on the right segmentation criterion is crucial and can't be easily handed off to outsiders, as we know segmentation is a broad category for organising market information. The ways to segment markets include geographic, socio-demographic, psychographic and behavioural. Factors like how profitable consumers are, their power to negotiate, what they prefer, and barriers they face when choosing an object. If demographic or geographic segmentation works then there is no need for more complex methods like psychographic segmentation. Using what's more effective and least expensive or service or product is better.

Geographic segmentation

We sort the customers based on their location of residence. If we are in Austria we may want to attract tourists from nearby countries, you'd use different languages for each country because people speak differently.

Companies like Amazon and IKEA ask their customers for their residences like the country they reside in and customise their prizes and products accordingly.

Pros of using this are that it will be easy to assign a unit and also easy to target communication messages, and channels.

Cons would be that the people residing in the same area may not prefer the same things as others

It is a challenge when we try to group people from different countries it gets tricky. We have to find things that matter to everyone, and also have to watch out for cultural misunderstandings.

Socio-Demographic Segmentation

This is the sorting of people based on criteria like age, gender, income, and education. When sorting using this method we may be able to identify people who choose few things to buy. Even by knowing their age and income sometimes it still does not make sense why they are buying a few things. So we could tell that this method is best for predicting what they'll buy.

Psychographic Segmentation

It is segmenting based on someone's personality, understanding what they might like to buy. It is by understanding what their hobbies are, and understanding what's important to them. This helps to connect with consumers on a deeper level.

Behavioural Segmentation

This is used to find similarities in the behaviour of the consumers. It's noticing how often they buy a few items, their expenditure on the items, and knowing what they are looking up online.

Data from Survey Studies

Based on the right questions asked we can create a better survey, thus giving unique insights. Many repetitive questions can mess up the results. When taking surveys it's better to stick with yes or no or 0 and 1 or even number answers this makes it easier to analyse and even simpler.

Using binary metric and visual plots or sliders can help capture more subtle opinions and can be treated like data. Designing the survey so that it does not lead to misleading answers is important. When taking a survey, it is important to have many people's opinions so that the result would provide a good mixed output. So the more people we survey, the clearer the picture of your segments.

Data from Internal Sources

Companies gather tons of data from things like stores, airline bookings and online shopping. This data clearly indicates what the customer actually does rather than simply getting the data of they tell, this data is available as ready to use. This data only provides info about the people shopping with you.

Data from Experimental Studies

This data can be collected through controlled experiments and analyse customer behaviour. The researchers can test how different customers react to the advertisements. Thus being able to identify their preferences. Information from choice experiments and conjoint analysis can be used as segmentation criteria.

STEP 6

Identifying Key Characteristics of Market Segments

This section looks at the fundamental characteristics that every market segment is based upon. It calls for an analysis of demographic, psychographic, and behavioural data to allow a business to create a detailed profile of the identified segment. It is about knowing the specific needs, tastes, and behaviours of each group.

Traditional Approaches to Profiling Market Segments

The traditional methods of segment profiling are cross-tabulation and cluster analysis. These techniques enable us to find out the typical characteristics that explain a segment and distinguish it from the others. Cross-tabulation is, in effect, a method for comparing the frequency of variables, while cluster analysis groups people based on similarities in their response.

Segment Profiling with Visualisations

Charts and graphs help to clarify segment profiles by providing easy access to, and the interpretation of, data. Scatter plots and heat maps enable the identification of patterns or relationships within the data and therefore define characteristics and establish the separation of the segments.

STEP 8

The Targeting Decision

This is the step where the targeting decision is taken for which segment or segments to target based on the segment profiles developed in Step 6. The targeting decision would depend on the size of the segment, its potential for growth, competitive conditions, and how the company's strategic objectives mesh with such factors.

Market Segment Evaluation

Market segments can be assessed in terms of their attractiveness to the firm, primarily based on criteria such as profitability, accessibility, and compatibility of the segments with the firm's capabilities. There are a variety of tools which can be used in making prudent decisions on market segments to enter. The tools include SWOT analysis and cost-benefit analysis.

STEP 9

Implications for Marketing Mix Decisions

The reason and essence of segmentation is to be able to give the right marketing mix-monad that would satisfy the needs of the target segment(s). Customising the marketing mix by product, price, place, and promotion according to the needs of the target segment(s) is critical. This customises each element of the mix in the product towards the preference and behaviours of the chosen segments.

Product

Segment decisions encompass feature modification, design, and quality to satisfy the expectation of the segment. This could be product development or the adjustment of products to better serve the target market.

Price

Pricing strategies must reflect the perceived value of the product to the target segment. This would range from a premium for high-end segments to discount pricing for price-sensitive groups.

Place

The choice of distribution channels should be decided based on the buying behaviour of the target segment. This may mean opting for either online or offline or a mix between them.

Promotion

The promotional activities should be designed keeping in view the taste and the media habits of the target segment. This would imply selecting a proper mix between advertising, sales promotions, and publicity.

It comprises all steps from segment identification to profiling, target market selection, and customization of marketing mix to achieve optimal results.

Git hub Code:

https://github.com/parvathynd/Feynn-Labs-Internship/blob/main/Project2.0/Mc_Donalds_Code_Conversion.ipynb