Market Segmentation Analysis
Chapter Summaries

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Chapter 3: Step 1 - Deciding (not) to Segment

3.1 Implications of Committing to Market Segmentation

- Market segmentation requires a long-term commitment from an organization. It is not a temporary strategy but a continuous effort that involves significant changes and investments.
- The costs involved in this process includes research and focus group cost, survey cost , and designing various packages , advertisements etc.
- This process may change the price and distribution channels and modification of the existing product. Thus Implementation of market segmentation should be done only if the expected sale is much more than current sale.

3.2 Implementation Barriers

Potential barriers to the successful implementation of market segmentation are as follows:
- Senior Management that includes Lack of leadership , Proactive championing , commmittment.
- Organisational Culture that includes Lack of consumer orientation, creative thinking. Only Short term thinking , Incurious about new ideas etc.
- Lack of training and qualified marketing expert.
- And the most important obstacle Lack of financial resources.

3.3 Checklist before Implementation

- Market oriented , genuienly willing to change , long term perspective , open to new ideas , good organisatinal units , able to make significant changes and has sufficient financial resources.
- Apart from these financial commitment and active involvement from senior management are must.

- Finally making a team that must include marketing expert , data analyst, advisory expert to sucessfully implement market segmentation.

Chapter 4: Step 2 - Specifying the Ideal Target Segment

4.1 Segment Evaluation Criteria

- The evaluation criteria for market segments are divided into two categories: knock-out criteria and attractiveness criteria.
- Knock-out criteria are essential and non-negotiable features that a segment must have.
- Attractiveness criteria are used to assess the relative appeal of segments that meet the knock-out criteria.

4.2 Knock-Out Criteria

- These criteria help eliminate segments that do not meet the basic requirements of the organization, ensuring only viable segments are considered.
- Here the segments must be homogeneous, distinct, large enough, identifiable, reachable and must match the strengths of the organisation.

4.3 Attractiveness Criteria

- Criteria that evaluate the potential profitability, size, growth rate, and other positive attributes of the remaining segments.

4.4 Implementing a Structured Process

- Its's important to have a structured and systematic approach to evaluating segments to ensure consistency and reliability in the analysis.
- The steps include defining criteria, collecting data, analyzing segments, and making informed decisions based on the analysis.

4.5 Checklist

Segmentation team meeting, Discussion and presentation of knock out criteria to the advisory committee, individual and with team study and presentation of market segment attractiveness to the advisory committee.

Chapter 5: Step 3 - Collecting Data

5.1 Segmentation Variables

- Variables that can be used for segmentation, includes geographic, socio-demographic, psychographic, and behavioral variables.

5.2 Segmentation Criteria

Different segmentation criteria:
- **Geographic Segmentation**: Based on location, climate, and other geographical factors.
- **Socio-Demographic Segmentation**: Based on age, gender, income, education, and other demographic factors.
- **Psychographic Segmentation**: Based on lifestyle, values, personality, and other psychological traits.
- **Behavioral Segmentation**: Based on consumer behavior, such as purchase history, usage rate, and brand loyalty.

5.3 Data from Survey Studies

How to collect and use survey data for segmentation:
- **Choice of Variables**: Selecting the right variables for the survey.
- **Response Options**: Designing response options to ensure accurate data collection.
- **Response Styles**: Understanding different response styles and their impact on data quality.
- **Sample Size**: Determining the appropriate sample size for reliable results.

5.4 Data from Internal Sources

- **Sales Records**: Historical sales data can provide insights into customer buying patterns, seasonal trends, and product popularity.
- **Customer Databases**: Information from customer relationship management (CRM) systems can help identify loyal customers, frequency of purchases, and customer demographics.
- **Website Analytics**: Data from web analytics tools can show user behavior on the website, including most visited pages, time spent on site, and conversion rates.
- **Transactional Data**: Examines individual transactions for details about what products or services are purchased together, average transaction value, and payment methods.
- **Customer Feedback**: Analyzes feedback from customer service interactions, surveys, and reviews to understand customer satisfaction and areas for improvement.

Challenges: Potential challenges include data quality issues, integrating data from different sources, and ensuring data privacy and security.

5.5 Data from Experimental Studies

This source include data taken from various experiments in lab or field performed under suitable condition over the time. Also choice experiments or conjoint analyses are performed to get preference by the consumer.

5.6 Checklist

Checklists that must response in affirmative are team meeting, Discussion of consumer characteristics that may be a good segmentation variables, Discussion and creating design on effective steps for data collection.