NAME

SURAJ MAURYA

PART 1:

SUMMARY OF INTRODUCTION

- Marketing aligns consumer needs with supplier offers.
- Marketing planning involves setting objectives and formulating plans.
- A marketing plan consists of strategic and tactical components.
- Strategic marketing outlines long-term direction without short-term details.
- Tactical marketing translates the strategic plan into short-term actions.
- The strategic plan decides the overall direction and goals.
- Tactical plans focus on immediate actions and details.
- Strategic planning is like choosing a mountain to climb.
- Tactical planning involves preparing for the expedition.
- SWOT analysis identifies organizational strengths, weaknesses, opportunities, and threats.
- Market research explores consumer needs and desires.
- Key strategic decisions: segmentation, targeting, and positioning.
- Tactical planning follows strategic decisions.
- Tactical planning covers product, price, place, and promotion.
- Good strategic marketing is crucial for organizational success.
- Bad strategic marketing cannot be compensated by good tactical marketing.

- Market segmentation divides a heterogeneous market into smaller, homogeneous segments.
- Segmentation criteria include consumer characteristics.
- Effective segmentation improves marketing efforts.
- Concentrated strategy targets a single segment.
- Differentiated strategy targets multiple segments with customized products.
- Undifferentiated strategy targets the entire market with a single product.
- Market segmentation leads to better consumer understanding.
- It forms the basis of a competitive advantage.
- Niche segments can result in market dominance.
- Micro-marketing customizes products for small consumer groups.
- Finer segmentation offers products to individual consumers.
- Customized marketing mix yields higher ROI.
- Segmentation requires substantial investment.
- Poor segmentation can lead to wasted resources.

PART 2:

STEP 1: DECIDING (NOT) TO SEGMENT

Implications of Committing to Market Segmentation

- Understanding implications before market segmentation is crucial.
- Long-term commitment is necessary for market segmentation.
- Market segmentation requires substantial changes and investments.
- Costs include research, surveys, designing packages, and advertisements.
- Ensure increase in sales justifies segmentation expenses.
- Required changes may include new product development.
- Existing products may need modifications.
- Changes in pricing and distribution channels are often necessary.
- Market communications will need adjustments.
- Internal structure of the organization may be affected.
- Organizations should focus on market segments rather than products.
- Strategic business units should target specific market segments.
- Decision to investigate segmentation must be at the executive level.
- Continuous communication and reinforcement are essential.
- Commitment at all organizational levels is required.

Implementation Barriers

- Implementation barriers can impede market segmentation success.
- Senior management's lack of leadership undermines segmentation.
- Chief executive’s interest is crucial for segmentation implementation.

- Insufficient resources from senior management can prevent success.
- Lack of market or consumer orientation is a barrier.
- Resistance to change and new ideas impedes success.
- Poor communication within the organization is detrimental.
- Short-term thinking and office politics hinder segmentation.
- Lack of training in market segmentation concepts is problematic.
- A formal marketing function or expert is necessary.
- High market diversity requires a high degree of formalization.
- Lack of a qualified data manager and analyst is a stumbling block.
- Financial resource limitations can restrict segmentation efforts.
- Structural changes may be necessary for segmentation success.
- Clear objectives and planning are essential for segmentation.
- Structured processes guide the segmentation team.
- Allocation of responsibilities is critical.
- Time pressure can negatively affect segmentation outcomes.
- Management science techniques must be understandable.
- Graphical visualizations aid in presenting segmentation results.
- Proactively remove identified barriers from the outset.
- Consider abandoning segmentation if barriers cannot be removed.
- Dedication, patience, and problem-solving are required.

Checklist

- Ensure the organization's culture is market-oriented.
- Verify the organization's willingness to change.
- Confirm the organization takes a long-term perspective.
- Assess openness to new ideas within the organization.
- Evaluate communication across organizational units.
- Determine the ability to make significant structural changes.

- Check for sufficient financial resources for segmentation.
- Secure visible commitment from senior management.
- Ensure senior management's active involvement.
- Obtain financial commitment from senior management.
- Ensure full understanding of market segmentation concepts.
- Conduct training if segmentation concepts are not understood.
- Ensure understanding of the implications of segmentation strategy.
- Conduct training on the implications if necessary.
- Assemble a segmentation team of 2-3 people.
- Task each team member with specific responsibilities.
- Continuously monitor progress and adjust as needed.
- Communicate the importance of segmentation across the organization.
- Reinforce segmentation goals regularly.
- Address any emerging barriers promptly.
- Evaluate the effectiveness of the segmentation strategy.
- Adjust the strategy based on market feedback.

STEP 2: SPECIFYING THE IDEAL TARGET SEGMENT

Segment Evaluation Criteria :

- **User Involvement**: Essential throughout the market segmentation process.
- **Contribution of Organisation:** Critical in Step 2 for guiding data collection and segment selection.

Two Types of Criteria:

- **Knock-Out Criteria:** Non-negotiable features that segments must meet.
- **Attractiveness Criteria:** Used to assess the relative appeal of segments meeting knock-out criteria.

Literature on Criteria:

- **Day (1984):** Measurable, substantial, accessible, distinct.
- **Croft (1994):** Growth, profitability, competition, barriers, etc.
- **Myers (1996):** Size, distinctiveness, accessibility.
- **Wedel and Kamakura (2000):** Identifiable, substantial, responsive.
- **Perreault Jr and McCarthy (2002):** Substantial, operational.
- **Lilien and Rangaswamy (2003):** Growth, competitive advantage, profitability.
- **McDonald and Dunbar (2004):** Size, competition, financial factors, etc.
- **Dibb and Simkin (2008):** Homogeneous, profitable, accessible.
- **Sternthal and Tybout (2001):** Company's market position, competitor response, consumer goals.
- **West et al. (2010):** Size, purchasing power, distinctiveness.
- **Solomon et al. (2011):** Differentiable, measurable, actionable.

- **Winer and Dhar (2011):** Parsimonious, growing, competitively advantageous.
- **Jain (2012):** Measurable, accessible, substantial.
- **Kotler and Keller (2012):** Measurable, substantial, accessible, differentiable.
- **Pride et al. (2012):** Sales estimates, competitive assessment, financial resources.
- **Sharp (2013):** Measurable, targetable, profitable.

Knock-Out Criteria

- **Homogeneous:** Segment members should be similar.
- **Distinct**: Segment should differ from other segments.
- **Large Enough:** Sufficient size to justify marketing efforts.
- **Matching Organisation's Strengths:** Capability to meet segment needs.
- **Identifiable:** Segment members should be recognizable.

Attractiveness Criteria

- **Nature of Attractiveness Criteria:**
- **Non-binary:** Segments rated on how attractive they are with respect to criteria.
- **Factors to Consider:** Growth, profitability, competitive advantage, etc.
- **Negotiation:** Agree on which criteria are most relevant.
- **Weighting:** Assign weights to criteria based on importance.
- **Structured Approach:** Use a segment evaluation plot for visual assessment.
- **Team Involvement:** Involves various organizational units for comprehensive evaluation.

Implementing a Structured Process

- **Benefits:** Helps in assessing market segments systematically.
- **Segment Evaluation Plot:** Plot segment attractiveness vs. organisational competitiveness.
- **Team Collaboration:** Core team proposes criteria; advisory committee reviews.

Checklist

- **Convene Team Meeting:** Discuss knock-out criteria.
- **Present Knock-Out Criteria**: For discussion and adjustment by advisory committee.
- **Study Attractiveness Criteria:** Review and select up to six criteria.
- **Distribute Points:** Reflect relative importance of criteria.
- **Agree on Weightings:** Finalize weightings with team and advisory committee.

STEP 3: SEGMENTATION VARIABLES

- **Empirical Data Foundation**: Market segmentation relies on empirical data, which is critical for identifying and describing market segments.
- **Segmentation Variable**: Refers to a specific characteristic used to split a sample into segments (e.g., gender).
- **Descriptor Variables**: These provide additional details about the segments (e.g., age, vacation frequency, desired vacation benefits).

Commonsense vs. Data-Driven Segmentation:

- **Commonsense Segmentation**: Uses a single characteristic (e.g., gender) to create segments (e.g., men vs. women).
- **Data-Driven Segmentation**: Utilizes multiple variables (e.g., benefits sought in vacations) to identify and create segments.

Importance of Data Quality:

- Essential for accurately assigning consumers to segments and describing them.
- Influences product development, pricing strategy, distribution, and communication channels.

Data Sources for Segmentation:

- **Survey Studies**: Common but may be unreliable for capturing actual behavior.
- **Observations**: Such as scanner data or loyalty programs, can be more reflective of actual behavior.
- **Experimental Studies**: Provides data through field or lab experiments, including choice experiments and conjoint analyses.

Segmentation Criteria

Choosing Segmentation Criteria:

- Involves deciding on the type of information used for segmentation (e.g., geographic, socio-demographic, psychographic, behavioral).
- Requires knowledge about the market.

Types of Segmentation Criteria:

- **Geographic**: Based on location.
- **Socio-Demographic**: Includes age, gender, income, education.
- **Psychographic**: Based on psychological traits like interests and values.
- **Behavioral**: Related to consumer behavior (e.g., benefits sought).

Choosing the Right Criteria:

- Simplicity is often recommended.
- Use the most appropriate criteria for the product or service with minimal cost.

Socio-Demographic Segmentation

- **Common Criteria**: Age, gender, income, education.
- **Advantages**: Easy to determine segment membership; useful for specific industries (e.g., luxury goods, baby products).
- **Limitations**: May not always explain product preferences or provide deep market insights.

Psychographic Segmentation

- **Psychographic Criteria**: Includes beliefs, interests, preferences, and benefits sought.
- **Types**:

- **Benefit Segmentation**: Focuses on the benefits consumers seek.
- **Lifestyle Segmentation**: Based on activities, opinions, and interests.
- **Advantages**: Reflects underlying reasons for consumer behavior.
- **Challenges**: More complex to determine segment memberships and relies on the validity of measures.

Data from Survey Studies

- **Survey Data**: Common source but prone to biases.

Response Options:

- **Binary**: 0 or 1 responses; easy to analyze.
- **Nominal**: Unordered categories; can be transformed into binary.
- **Metric**: Continuous data (e.g., age, expenditures); suitable for segmentation.
- **Ordinal**: Ordered categories; harder to measure distance.

Response Styles:

- Biases include extreme response styles, midpoint usage, and general agreement.
- Can affect segmentation results; need to minimize or adjust for biases.

Data from Internal Sources

- **Types of Internal Data**: Scanner data, booking data, online purchase data.
- **Advantages**: Reflects actual consumer behavior; automatically generated.

5.5 Data from Experimental Studies

- **Types of Experimental Data**: Field or lab experiments, choice experiments, conjoint analyses.
- **Usefulness**: Provides information on consumer responses to specific stimuli or product attributes.

Checklist

- **Team Meeting**: Discuss potential segmentation and descriptor variables.
- **Data Collection**: Determine methods to capture both segmentation and descriptor variables.
- **Design and Minimize Bias**: Carefully design data collection to avoid biases.
- **Collect Data**: Gather the data according to the designed plan.

STEP 4: EXPLORING DATA

- **Data Collection**: Initial step involves gathering data relevant to the study.
- **Exploratory Data Analysis (EDA)**: Used to clean and preprocess the data.
- **Measurement Levels**: Determine the scale of measurement for variables (nominal, ordinal, interval, ratio).
- **Univariate Distributions**: Analyze each variable independently to understand its distribution.
- **Dependency Structures**: Assess relationships between variables.
- **Pre-processing**: Prepare data for analysis by handling missing values, outliers, and standardizing formats.
- **Segmentation Algorithms**: Choose appropriate algorithms based on data exploration.
- **Dataset Example**: Australian travel motives data set.
- **Travel Motives**: 20 motives reported by 1000 respondents.
- **Data Reading in R**: Use read.csv() to load the data into R.
- **Column Names in R**: Inspect column names using colnames(vac).
- **Data Frame**: The data is stored in a data frame named vac.
- **Data Cleaning**: Verify accuracy and consistency of data values.
- **Check for Implausible Values**: For numeric variables, e.g., age should be between 0 and 110.
- **Categorical Variables**: Ensure they have permissible values only.
- **Re-order Levels**: Fix any incorrect ordering in categorical variables like Income2.
- **Descriptive Analysis**: Summarize data using numeric and graphic methods.

- **Numeric Summary**: Use summary() to get range, quartiles, and mean.
- **Frequency Counts**: For categorical variables, summary() provides counts.
- **Missing Values**: Identify missing values in the dataset.
- **Histograms**: Visualize distribution of numeric variables.
- **Binning**: Create value bins for histograms.
- **R Package for Histograms**: Use lattice package.
- **Creating Histogram**: Example command: histogram(~ Age, data = vac).
- **Boxplots**: Another graphical method to describe numeric data.
- **Scatter Plots**: For visualizing relationships between numeric variables.
- **Bar Plots**: Used for categorical data frequency.
- **Mosaic Plots**: Illustrate associations between categorical variables.
- **Principal Components Analysis (PCA)**: Transforms multivariate data to principal components.
- **Uncorrelated Components**: PCA produces variables that are uncorrelated.
- **Dimensionality**: PCA maintains the same number of variables.
- **Covariance/Correlation Matrix**: Used for PCA calculation.
- **Standardizing Data**: Important if variables have different ranges.
- **PCA Transformation**: Captures maximum variability in the first components.
- **Scatter Plot Matrix**: Visualizes more than two principal components.
- **R Command for PCA**: prcomp() function.
- **PCA Default Settings**: Centers data but does not standardize.

- **Inspect PCA Results**: Print PCA object to examine results.
- **Data Exploration**: Identify inconsistencies and systematic errors.
- **Clean Data**: Fix errors and inconsistencies before analysis.
- **Pre-process Data**: Prepare data for segmentation algorithms.
- **Segmentation Variables**: Ensure a minimum of 100 samples per variable.
- **Variable Selection**: Reduce the number of variables if needed.
- **Correlation Check**: Assess if segmentation variables are correlated.
- **Uncorrelated Variables**: Choose uncorrelated variables for better segmentation.
- **Data Transfer**: Pass cleaned and pre-processed data to the next step.
- **Step 5 Preparation**: Prepare for segment extraction.
- **Variable Levels**: Ensure correct ordering and categorical levels.
- **EDA Tools**: Utilize R packages and functions for data exploration.
- **Report Insights**: Summarize findings from data exploration and cleaning steps.