Name : Vinay Reddy

Study -Task Market Segmentation

Summary of Step 1 :

Deciding (Not) to Segment

1. **Commitment to Market Segmentation**: Market segmentation requires a long-term commitment from an organization. It involves substantial changes in product development, pricing, distribution, and communication strategies, and may require adjustments to the organizational structure to cater to different market segments.

2. **Cost Considerations**: Implementing a market segmentation strategy is costly. Expenses include research, surveys, designing varied product packages, and creating multiple marketing messages. Organizations should only pursue segmentation if the anticipated increase in sales justifies the costs involved.

3. **Implementation Barriers**: There are several barriers to successfully implementing market segmentation:

    - **Leadership and Resource Allocation**: Lack of support, leadership, and adequate resources from senior management can hinder implementation.

    - **Organizational Culture**: Resistance to change, lack of market orientation, poor communication, and office politics can impede success.

    - **Training and Expertise**: Lack of understanding of market segmentation concepts and absence of marketing expertise within the organization are significant challenges. 4. **Objective Restrictions**: Organizations may face practical limitations such as insufficient financial resources or an inability to make necessary structural changes, which can prevent successful implementation of market segmentation strategies.

5. **Process-Related Challenges**: These include unclear objectives, lack of structured processes, poor planning, and inadequate allocation of responsibilities, all of which can negatively impact the segmentation process.

6. **Overcoming Barriers**: Most of these barriers can be identified early and proactively addressed. If the barriers cannot be overcome, organizations should consider not pursuing a market segmentation strategy. Successful implementation requires a strong commitment, clear understanding, and a structured approach from all involved parties.

Name : Vinay Reddy

Summary of Step 2:

Specifying the Ideal Target Segment:

1. **Segment Evaluation Criteria**: The process of market segmentation involves specifying evaluation criteria to determine the ideal target segment. These criteria are categorized into two types: **knock-out criteria** and **attractiveness criteria**.

2. **Knock-Out Criteria**: These are essential, non-negotiable criteria that a segment must meet to be considered viable. Examples include the segment's size, distinctiveness, homogeneity, accessibility, and compatibility with the organization's strengths.

3. **Attractiveness Criteria**: These criteria assess the relative attractiveness of segments that meet the knock-out criteria. Unlike knock-out criteria, attractiveness criteria are more flexible and help determine which segments are most appealing based on factors such as growth potential, profitability, and market compatibility.

4. **Involvement of the Organization**: Effective market segmentation requires continuous involvement from the organization throughout the process, not just at the beginning or end. This involvement includes setting criteria, collecting data, and selecting target segments.

5. **Structured Process**: The chapter advocates for a structured approach to segment evaluation, such as using a segment evaluation plot that assesses segment attractiveness against organizational competitiveness. This helps ensure a comprehensive and objective assessment of potential target segments.

6. **Collaborative Decision-Making**: The segmentation process should involve representatives from various organizational units. This collaborative approach ensures diverse perspectives are considered and promotes buy-in from all parts of the organization, as the chosen segmentation strategy will affect all units

Name : Vinay Reddy

Summary of Step 3:

Collecting Data

1. **Segmentation Variables and Descriptor Variables**:
   - **Segmentation variables** are used to divide the market into segments, often based on a single characteristic in commonsense segmentation or multiple characteristics in datadriven segmentation.
   - **Descriptor variables** describe the segments in detail and can include sociodemographics, media behavior, etc.
2. **Response Options and Data Types**:
   - Different types of data (binary, nominal, metric, ordinal) impact the segmentation analysis. Binary and metric data are preferred for segmentation because they simplify distance measurement between data points.
   - Ordinal data, while common in surveys, complicates the analysis due to undefined distances between responses.
3. **Sample Size and Data Quality**:
   - Adequate sample size is crucial for accurate segmentation. The recommended sample size is at least 100 times the number of segmentation variables.
   - High-quality data should be free of biases, response styles, unnecessary or correlated items, and should contain all necessary items.
4. **Sources of Data**:
   - Data for segmentation can come from various sources, including surveys, internal data from organizations, and experimental studies. Each data source has its strengths and potential biases, such as over-representing existing customers or response biases in surveys.

Name : Vinay Reddy

Summary of Step 6:

Profiling Segments:

1. **Profiling Purpose**:

   Profiling market segments helps in understanding and characterizing the segments created through data-driven segmentation, making them actionable for strategic decisions.

2. **Challenges of Interpretation**:

   Data-driven segmentation often results in complex profiles that can be difficult to interpret, leading to potential challenges for managers in decision-making.

3. **Visualization for Clarity**:

   Visualizations, such as segment profile plots, are essential tools that make complex segment characteristics easier to understand and communicate.

4. **Marker Variables**:

   Identifying and highlighting marker variables—those that significantly differentiate a segment—helps in quickly understanding what defines each segment.

5. **Customization in Profiling**:

   The criteria for profiling, including the identification of marker variables, can be tailored to better suit the specific data and objectives of the analysis.

Name : Vinay Reddy

Summary of Step 8:

Selecting the Target Segment(s)

1. **Critical Decision:**
   Step 8 involves the crucial decision of selecting one or more target segments from the many identified in previous steps. This choice significantly impacts the organization's long-term performance.

2. **Double-Check Knock-Out Criteria**:
   Ensure that all market segments under consideration have passed the knock-out criteria established in Step 2, confirming their viability before proceeding.

3. **Evaluate Segment Attractiveness**:
   Assess how attractive each remaining segment is to the organization, considering factors like size, homogeneity, and distinctiveness.

4. **Evaluate Organizational Competitiveness**:
   Determine how attractive the organization is to each segment, based on factors like product appeal, price suitability, and brand awareness.

5. **Use of Decision Matrices**:
   Decision matrices, such as the Boston Matrix or GE/McKinsey Matrix, are recommended to visualize and compare segment attractiveness and organizational competitiveness.

6. **Final Selection**:
   The final target segments are selected based on their overall attractiveness and the organization's ability to meet their needs, often visualized in a segment evaluation plot.

Name : Vinay Reddy

Summary of Step 9:

Customising the Marketing Mix:

1. **Integration with STP**:

   The marketing mix customization begins after selecting the target segment, which is part of the Segmentation-Targeting-Positioning (STP) framework. This ensures that segmentation decisions are not made in isolation but are aligned with positioning and competition strategies.

2. **4Ps Model**:

   The marketing mix is traditionally defined by the 4Ps—Product, Price, Place, and Promotion. Each aspect must be adjusted based on the characteristics and preferences of the target segment.

3. **Product Customization**:

   Adjusting the product to meet the specific needs of the target segment might involve modifying an existing product or creating a new one. Other decisions include product naming, packaging, and offering warranties or after-sales support.

4. **Pricing Strategy**:

   Pricing decisions involve setting the right price, offering discounts, and potentially attaching a premium to products if the target segment shows a higher willingness to pay, as seen in the example with segment 3's higher vacation expenditures.

5. **Place (Distribution) Decisions**:

   The choice of distribution channels must align with the target segment's purchasing behavior, whether online, offline, or a combination of both. For example, segment 3's preference for online booking suggests the need for strong online distribution options.

6. **Promotion Strategy**:

   Promotion involves crafting messages that resonate with the target segment and selecting the right communication channels. Insights from the segment's preferred information sources guide the development of effective promotional strategies.