**Market Segmentation Analysis Guide**

### **Step 1: Deciding Whether to Segment**

**Key Implications**

* Market segmentation is a long-term strategy, not a quick fix.
* Requires significant investment in research, surveys, and marketing adjustments.
* Organizational changes may be needed, such as:  
  + Developing new products or modifying existing ones.
  + Adjusting pricing, advertising, and distribution.
  + Restructuring teams to focus on segments rather than products.
* Top management must lead the initiative and ensure company-wide alignment.

**Barriers to Success**

* **Lack of leadership support** – Without executive buy-in, segmentation fails.
* **Resistance to change** – Employees may oppose new strategies.
* **Insufficient resources** – Budget, data experts, or marketing teams may be lacking.
* **Poor planning** – Unclear goals or rushed execution.
* **Misunderstanding** – Managers may not grasp segmentation’s value.

**Checklist**

* Is the company customer-focused and adaptive to long-term changes?
* Does it have adequate budget and resources?
* Is senior management fully committed?
* Is there a dedicated team (marketing + data experts)?

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### **Step 2: Defining the Ideal Target Segment**

**Knock-Out Criteria (Must-Haves)** Segments that fail these should be rejected immediately:

* **Homogeneous** – Members share similar traits.
* **Distinct** – Clearly different from other segments.
* **Large enough** – Profitable customer base.
* **Identifiable & reachable** – Can be targeted effectively.
* **Aligns with company strengths** – The business can serve them well.

**Attractiveness Criteria (Nice-to-Haves)** Used to rank viable segments:

* High profitability
* Rapid growth potential
* Low competition
* Ease of marketing

**Segment Evaluation Process**

* Plot segments on a grid comparing:  
  + Attractiveness (e.g., profit, growth)
  + Company fit (ability to serve the segment)
* Select 4–6 key criteria (e.g., assign weights: Profit = 40%, Growth = 30%)
* Involve cross-functional teams (sales, marketing, finance) for input

**Checklist**

* Finalize knock-out criteria
* Choose 4–6 attractiveness criteria
* Assign weighted importance (e.g., 100-point split)
* Secure management approval

### **Step 3: Collecting Data**

**Types of Data Sources**

* **Survey Data**
  + Pros: Low cost, easy to collect
  + Cons: Risk of bias (e.g., inaccurate responses)
  + Best practices:  
    - Use binary (Yes/No) or metric (numerical) questions
    - Ensure 100+ respondents per question
* **Internal Data (Company Records)**
  + Pros: Accurate (real purchase history, loyalty programs)
  + Cons: Limited to existing customers
* **Experimental Data**
  + Tests reactions (e.g., ad responses, product preferences)
  + Ideal for new product launches

**Common Data Problems**

* Noisy/unnecessary variables – Skew results
* Correlated questions – Distort analysis
* Response biases – False answers (e.g., always selecting "Agree")
* Insufficient sample size – Weak segment identification

**Checklist**

* Define required data (segmentation + descriptor variables)
* Select the best data source (surveys, internal data, experiments)
* Minimize biases and errors
* Ensure adequate sample size (100x the number of questions)

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### **Step 7: Describing Segments**

### **9.1 – Developing a Complete Picture of Market Segments**

* Once we’ve created the segments, now it's about understanding **who** these people really are.
* I learned that this step doesn’t use the original segmentation variables but instead uses **extra info**—like age, gender, income, hobbies, etc.
* Think of it like dating before marrying your customer!   
   (The authors said this and I kind of liked the analogy.)

### **9.2 – Using Visualisations to Describe Market Segments**

* Charts and visuals really help in **making sense of data**. Especially when dealing with large segment sets.

#### **Nominal/Ordinal Variables**

* Use **cross-tabulations**, **bar charts**, and **mosaic plots**.
* Mosaic plots indicate **statistical significance** through color coding.  
  + **Red**: Less than expected
  + **Blue**: More than expected
  + **White**: No significant difference
* Example: Gender distribution showed **no significant difference** across segments.

#### **Metric Variables**

* Use **boxplots**, **histograms**, and **parallel boxplots** to compare metrics like age or expenditure.
* Statistical tests like **ANOVA** confirm if differences are significant.

### **Key Findings from the Case Study**

* **Segment 6**: Nature lovers, older age group, **high moral obligation** to protect the environment.
* **Segment 3**: Fun-seekers, younger, **low moral obligation** and high expenditure.
* **Segment 5**: Expresses **acquiescence bias**, tends to agree with survey items.

### **9.3 – Testing for Segment Differences in Descriptor Variables**

* The **Chi-square tests** and **ANOVA** are to check if the differences were statistically significant.
* Turns out:  
  + Gender differences = not significant
  + Age and moral obligation = very significant
* Also **pairwise t-tests** and **Tukey’s HSD** to see exactly **which segments differed** from others.  
  + Segments 5 & 6 showed **higher moral responsibility**.
  + Segment 3 stood out with the **least** concern for the environment.

### **9.4 – Predicting Segments from Descriptor Variables**

* This was the predictive part—super interesting!  
    
   **Binary Logistic Regression**:  
  + Tried predicting if someone is in Segment 3.
  + Age wasn’t helpful.
  + **Moral obligation was a strong predictor.**
* **Multinomial Logistic Regression**:  
  + Built a model to predict **all segments** at once.
  + Found that **older people with high moral obligation** are likely to be in Segment 6.
* **Tree-Based Method (CART)**:  
  + Built a decision tree.
  + Simple and easy to interpret.
  + First split was based on **vacation behavior**, then **moral obligation**.

### **What I Learned**

* Segment descriptions matter **a lot** for marketing and personalization.
* **Visual tools + Statistical tests** = better understanding.
* Not all variables matter equally – **moral obligation** stood out in my analysis.
* Predictive modeling can even help **assign new customers** to existing segments.

### **Step 9: Customising the Marketing Mix**

**11.1 Implications for Marketing Mix Decisions**

* The **4Ps** (Product, Price, Place, Promotion) must align with the chosen target segment.
* Segmentation is part of the **STP framework** (Segmentation, Targeting, Positioning).
* Marketers should revisit and refine each component of the mix after segment selection.
* Customization ensures that the marketing mix speaks directly to segment needs.

### **11.2 Product**

* Focuses on **tailoring products** to meet the needs of the target segment.
* May involve new product creation or modifying existing offerings (e.g., naming, packaging, warranties).
* **Example**: Segment 3 (museum/go-cultural tourists) may be offered a bundle called **“Museums, Monuments & Much, Much More”** with guided experiences and passes.
* Gardens and markets may be highlighted to appeal to their interests.

### **11.3 Price**

* Pricing strategies must reflect the **segment’s value perception and willingness to pay**.
* **Example**: Segment 3 tourists have higher daily vacation spending.  
  + Premium pricing is viable; discounts are unnecessary.
  + Custom pricing may enhance perceived value and profitability.

### **11.4 Place**

* Distribution channels should match **segment behavior and preferences**.
* **Example**: Segment 3 prefers **online bookings** over traditional methods.  
  + Ensure the product is bookable online.
  + Analyze booking behavior across all offerings, not just accommodation.

### **11.5 Promotion**

* Promotion strategies must be aligned with **preferred information sources** and **media habits**.
* **Example**: Segment 3 relies heavily on **tourist centers** and prefers **Channel 7** for TV.  
  + Develop info packs for tourist centers (offline & online).
  + Run ads and promotions on preferred TV channels.

### **11.6 Step 9 Checklist**

### Convene segmentation team meeting

### Review segment profile thoroughly

### Modify product, price, place, and promotion for each segment

### Review entire marketing mix

### Repeat steps for multiple target segments if applicable

### Present the plan to advisory committee for feedback