

Market Segmentation

The Science of Strategic Focus

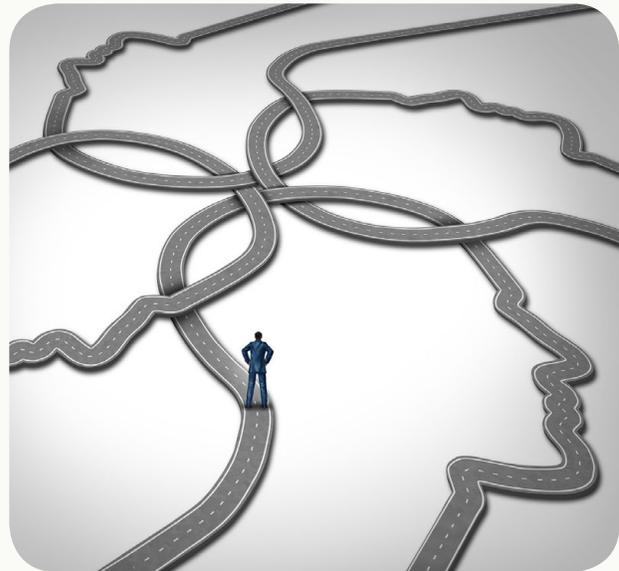


Strategic Focus

The essence of strategy is the concentration of effort and energy. Market Segmentation helps a company or a brand focus its marketing energies to maximize the return on strategic marketing investments. Market Segmentation answers four basic strategic questions:

- What market segment or segments should be targeted?
- What is a brand's optimal positioning to reach its targets?
- What advertising themes and messages should be explored?
- What new product opportunities exist within a given marketplace?

Market Segmentation studies can answer other questions as well, but these are the four most strategic uses of segmentation.



Stakeholder Workshop

Segmentation studies tend to be large, expensive projects that draw the attention of senior management. It's important to include these senior executives in the upfront planning meetings. The stakeholder workshop helps build consensus about study objectives and desired outcomes among senior executives and the research team. Involving senior management in these upfront planning sessions also increases the chances that these executives will support and act on the research findings.

A Qualitative Start

Market Segmentation begins with in-depth qualitative research among the target market to discover what we do not know. The goals are to learn the language of the consumer and to understand consumers' knowledge levels, perceptions, attitudes, and emotions related to the product category. The knowledge and understanding gained from the qualitative research not only dramatically improves the design of the segmentation questionnaire, it also improves the relevance of the segmentation results. The importance of good qualitative research cannot be overstated.

Types of Market Segmentation

Some of the most widely used types of segmentation include:

- Geographic Segmentation
- Media-based Segmentation
- Time-driven Segmentation
- Ethnic or Cultural Segmentation
- Demographic Segmentation
- Pricing Segmentation
- Behavioral Segmentation
- Multidimensional Segmentation
- Lifestyle Segmentation
- Psychographic Segmentation
- Values Segmentation
- Attitudinal Segmentation
- Needs-based Segmentation
- Occasion-based Segmentation
- Machine Learning Segmentation



Segmentation Techniques

Many segmentation techniques are available and each technique has its own unique strengths and weaknesses. The goal is to choose the right segmentation technique(s) for your study objectives, survey design, and marketing paradigm. Primary techniques include:

- Factor Segmentation™
- K-Means Cluster Analysis
- Latent-Class Cluster Analysis
- Ensemble Clustering
- Two-Step Clustering
- Choice Modeling
- Conjoint Analysis
- MaxDiff Scaling
- Neural Networks
- Discriminant Analysis
- CHAID
- Partial Least Squares
- Agent-based Simulation
- Artificial Intelligence
- Machine Learning

If time and budget permit, it's always wise to experiment with multiple segmentation techniques to find solutions that best fit your brand, business issues, and marketing situation.



Mass Marketing Versus Direct Marketing

If a brand operates in a mass market environment and relies heavily on media advertising, an optimal segmentation solution will typically have four to six market segments. If direct marketing is the primary go-to-market method, an optimal segmentation solution might have 10 to 15 market segments.

Personas

To help communicate the segmentation results to laymen throughout your organization, it's often helpful to do depth interviews among members of each market segment and prepare a persona (or illustrated description) for each segment. Short videos can be assembled for the same purpose—to better and more fully communicate the character and characteristics of each segment to your employees.



Activation Workshop

Once the segmentation results are presented to internal executives and managers, it is often wise to follow with an Activation Workshop. This is a guided and moderated session that gives executive and managers the opportunity to brainstorm and explore how best to apply and use the segmentation results to improve marketing and new product planning.

Mapping of Segmentation Solutions

Once an optimal segmentation solution is achieved, the results can be modeled and mapped to the entire U.S. or Canadian population. Market segments can be portrayed via color-coded maps by state/province, city, and Census Block Group. The results can be modeled and incorporated into geomaps (including Google Maps) so that the geographic distribution of market segments can be viewed and analyzed.

Why Decision Analyst?

Decision Analyst is a global marketing research and analytics firm with over 40 years of experience in Market Segmentation and advanced analytics consulting. If you would like to learn more about segmentation analyses to drive strategy, please give us a call.



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