

Why adopt a Market Segmentation strategy?

Market segmentation is the process of dividing consumers into groups and selecting the most appropriate groups for your brand to target. The process of market segmentation can be broken into six steps:

Delineate The Current Situation



Determine Consumer Behaviors, Attitudes, Needs, and Wants



Determine Relevant Dimensions for Segmentation



Decide on Segmentation Strategy



Develop Appropriate Positioning(s)



Design Marketing Mix Strategy

The Underlying Philosophy of Market Segmentation Is That One Product or One Promotional Message Can Rarely Meet the Needs and Wants of All Consumers.

In the Past, Segmentation Has Been Designed to Target Consumers based on Demographics or Behaviors, or, Attitudes. The M&RR Market Segmentation Approach Goes Much Further.

The primary use of segmentation research is to (I) provide an actionable blueprint of opportunities that exist within the market place and (II) create a barometer to measure its successes in maximizing such opportunities over time.

- ◆ Specific to your industry, this strategy can segment your customer population so as to provide direction regarding the optimal targets and their associated potential.
- ◆ These targets will be profiled by needs and opportunities to maximize uptake of brands under your umbrella. The key outputs will be the identification of those segments that represent the greatest opportunity for increased market share growth and a tracking tool by which to evaluate the impact of various positioning strategies and/or promotional efforts on these segments over time.

Objectives

Key questions answered by a segmentation / positioning strategy include:

- ◆ Ascertain the attitudes, beliefs, and opinions that are responsible for consumers' current behavior;
- ◆ Identify those attributes / benefits ("key drivers") which are most important to consumers in their selection of a specific brand;
- ◆ Identify the needs and "hot buttons" which will be motivating to encourage uptake of your product / service;
- ◆ Segment your customer populations based on a hybrid approach (behavioral, demographic, attitudinal, and needs-based);
- ◆ Profile and prioritize the segments;
- ◆ Determine the key product-related and marketing-related issues which will encourage the respective segments to purchase your product / service;
- ◆ Identify the barriers to purchase which are specific to certain market segments;
- ◆ Provide actionable direction on:
 - ◆ Who is the target audience?
 - ◆ How to identify and micro-market to these segments?
 - ◆ Which features and marketing messages will be motivating to increase uptake?
 - ◆ What is the most effective means of communicating this message to these segments?
- ◆ Establish a barometer to: (I) gauge the utility of various promotional efforts on these segments over time, and (II) track and understand ever-changing behaviors among these segments.

Methodology

Any one mode of segmentation has flaws, and if used exclusively, will not provide targeting insights that are necessary to design and implement a business building share campaign.

Therefore, we will customize our segmentation research for you. M&RR will analyze prior research and generate the hypotheses for testing, utilizing this research, as well as drawing upon our extensive experience within specified industry markets.

The core of M&RR's segmentation analysis is a hybrid approach bringing together the specific demographics, behaviors, and attitudes which are characteristic of the target market.

Example Of Output

For explanation purposes, the following examples discuss M&RR's positioning research within the amusement park industry, though it has many other applications as well!

A goal-based segmentation scheme is used through multivariate customized scaling techniques. Groups of consumers will be identified that differ on criteria that influences a decision to select a brand and influences subsequent requests for your brand along behavioral, cognitive, and affective dimensions.

Each segment is profiled and then prioritized with respect to their profitability based on:

- ◆ Size,
- ◆ Likelihood to purchase / request your brand,
- ◆ Growth potential of segment
- ◆ Common motivators
- ◆ Media exposure patterns / cost

Overall Description of HH Segment:	This segment seeks out danger and risk in its leisure activities ...
Key Drivers of Segmentation:	Thrills and Risk Taking
Relative Size:	20% of respondents
Demographic Characteristics:	Single Males 18-24, lower income, lower educated
Behavioral and Lifestyle Characteristics:	Mountain Climbing / Outdoor Activities / Bungee Jumping
Attitudinal Profile:	Seeks Thrills, Not very career-oriented
Amusement Park Experience:	Cedar Point, King's Dominion
Relative Likelihood of attending Amusement Park:	Moderate
Amusement Park Preferences:	Cedar Point
Key Promotional "Hot Buttons":	Roller Coasters
Media Usage:	Reads newspaper occasionally, subscribes to Sports Illustrated magazine
Relative Rating as Target:	(Scale ☆ - ☆☆☆☆☆)

Once the data has been collected, two different analyses are conducted:

- ◆ **Cluster analysis** categorizes respondents into groups with common perceptions, preferences, demographics, attitudes, needs and behaviors. An algorithm maximizes the variance between groups while minimizing the amount of variation within groups. Based on the optimal statistical fit, the number of clusters is determined.
- ◆ **Discriminant analysis** determines the basis by which segments or groups differ. This determines which variables (demographic, behavioral, and/or attitudinal) are significantly different between segments. The total number of variables is then reduced to a small number of variables per cluster.



A schematic diagram of the segmentation analysis is detailed below:

Input Data:

Analysis 1

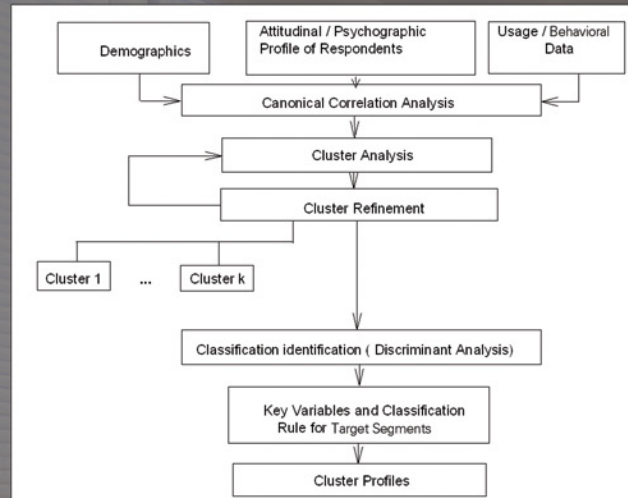
Analysis 2

Output 1

Analysis 3

Output 2

Output 3



The analysis of the data consists of several steps. The steps typically include canonical correlation, cluster analysis, cluster refinement, classification identification, and cluster profiling.

- ◆ A principal components analysis will be used to identify the underlying structure of the groups of variables used in the cluster identification / refinement. Based upon the results of this analysis, additive scales will be created that most reliably index the underlying structure of the data, and will be used in place of the raw questionnaire items in subsequent analyses.
- ◆ The **canonical correlation** step creates a multivariate space whose dimensions maximally relate attitudes and behavior. The cluster analysis is actually carried out in this space to insure the final segmentation scheme produces groups that differ not only in terms of their attitudes but also in terms of their behavior.
- ◆ As the schematic implies, the **cluster analysis and cluster refinement** steps are iterative. Several solutions are typically examined in detail and adjustments made to the clustering algorithm to optimize the interpretability of the groups derived. At this stage, preliminary cluster definitions are produced. There may be multiple solutions from which to choose and if so, each solution is weighed versus the marketing objectives and a final solution is selected for further analysis.
- ◆ The **classification identification** step is a procedure for identifying group membership using a small subset of the original items used in the clustering procedure. Discriminant analysis is used at this stage. The output helps clarify the definition of the various segments by highlighting those variables that play a key role in differentiating the groups.
- ◆ The final step is to produce a thorough **profile of the derived market segments**. This profile will include all available attitudinal scales, demographics and usage information. The result is a set of distinct segments that may be uniquely targeted to insure optimal brand performance.