Data Analytics for Managerial Decisions
Why Segmentation?

- **SEGMENTATION** is a critical enabler to achieve business objectives and realize benefits.
- **SEGMENTATION** is critical to identify white spaces for new products/offerings.
- **SEGMENTATION** helps organizations to optimize their retention and acquisition strategy.
- **SEGMENTATION** is often used to optimize pricing across different products.
- **SEGMENTATION** enables organizations to become more customer-centric.
- **MARKET DYNAMICS** make segmentation critical to business success.
Questions You Might Hear…

These are only some of the issues that clients may raise that clue you in to appropriateness of segmentation.

Growth & New Opportunities
Market Structure
Product Development
Channel Deployment
Resource Allocation
Retention & Acquisition
Marketing Activities
Pricing
Group work…

1. How many factors and why (stats and interpretation)?

2. How would you name the factors? What do they mean?

3. What are some issues to consider?
What Makes a “Good” Segmentation?

Many different evaluation systems exist. Most deem a segmentation good if it meets these criteria.
Different Types of Data Used

There are different ways you can segment a market, which result in different ways in which the segmentation can be used.
Often different data sources will be combined in one segmentation.

<table>
<thead>
<tr>
<th>Primary Data (Qual and Quant)</th>
<th>Customer Data</th>
<th>3rd Party Data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sample variables:</strong></td>
<td><strong>Sample variables:</strong></td>
<td><strong>Sample variables:</strong></td>
</tr>
<tr>
<td>• Behavioral</td>
<td>• Product/Service Usage</td>
<td></td>
</tr>
<tr>
<td>• Satisfaction</td>
<td>• Subscription</td>
<td></td>
</tr>
<tr>
<td>• Preferred communication channels</td>
<td>• Features usage</td>
<td></td>
</tr>
<tr>
<td>• Preferred engagement level</td>
<td>• Social Network integration</td>
<td></td>
</tr>
<tr>
<td>• Attitudes about the industry</td>
<td>• Demographics</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Acquisition channel</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Lifestyle</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Behavioral</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Demographics</td>
<td></td>
</tr>
</tbody>
</table>
Key Tenants on Segmentation

- No one segmentation approach will work in all situations.
- The value in segmentation does not come from the segmentation solution but from the programs leveraging this solution.
- Segmentation should be “customer-in” versus business- or product-out.
- There is both a science and an “art” to designing and evaluating a successful segmentation.
- Segmentation is the foundation for distinctive and sustainable competitive advantage.
There is A LOT of JUDGMENT in ANALYTICS:

Your involvement is CRUCIAL