

# Segmentation

## Segmentation

Dividing a market into distinct groups each of which has targetable shared needs or outlooks, and monitoring/using those groups for tailored marketing.

### What business problem does it solve?

Different groups in a market have different needs. The business cannot address all needs in a single product or offer (e.g. basic vs full-featured vs environmentally friendly). Segmentation splits out groups into segments so each can be targeted separately.



### How does it work?

Behaviour, demographics, attitudes, viewpoints, preferences, or buying occasions are collected. Statistics (e.g. cluster analysis) is used to identify distinct groups with similar needs and to identify segment value and methods for targeting.

### Types and versions

A priori, Pareto, attitudinal, needs-based, occasion-based, psychographic or any combination including database/transactional analysis, surveys, response modelling.

### Challenges

Identifying segments is only the first step of the process. It will be necessary to return to the groups to test offers and measure success rates, so segments must be reachable and replicable and sizeable enough to merit dedicated offers and resources.

Potential business impact	★★★★★★
Sophistication	★★★★★
Use in forecasting	★★★
Ease of design	★★★★
Expertise required	★★★★