

# Different Types of Segmentation

## Matthew Schall, Lands' End

There are Three Major Types of Segmentation

First exercise

1. What did we accomplish?
2. Definition of clusters in terms of variability – all understand variance?
  - a. Within cluster variance smaller than between cluster variance
  - b. Homogeneity versus heterogeneity
3. Business definition of useful segments
  - a. As we act on one member in a segment can act on all that segment with equal success
4. Caveat Clusterer – Segmentation and Cluster analyses are descriptive statistics, much like a mean or a frequency. There is one over riding evaluation criteria for a cluster analysis or a segmentation.

Three Major Types of Segmentation

1. Business rule
  - a. Men or Women, buyer or non-buyer, young boys versus young girls versus pre-teen boys and girls versus teen....
2. Quantitative
  - a. People who are above median HH income, RFM
3. Statistical
  - a. In Clustering methods in SAS®
    - i. PROCs ACECLUS, CLUSTER, FASTCLUS
      1. Distances
    - ii. PROC VARCLUS – variables not people
  - b. Outside of SAS but very useful
    - i. Chaid
    - ii. Cart
  - c. Related
    - i. Factor Analysis - Correlations
    - ii. Principal Components - Correlations
4. Cluster Oblique Factor Scores and draw JCPenney picture

Questions