

## **Fun Approach to Cluster Analysis**

Your teacher will provide you with access to an Excel template for running cluster analysis. Our goal is to convert customer data (from a survey or from a customer database) into market segments, in order to help us better understand the market and ultimately identify our best target market/s for our firm.

**Here are the steps to save and get started with the template.**

1. **Save the ZIP file** – open/extract the Excel template
2. **Open the Excel file** – please note that only Excel 2010 or later versions will be able to run the calculations
3. **Click to enable editing.**
4. **Click to enable macros** (click the 'enable content' icon).
5. **Add in Excel Solver** (if required) – please see full instructions in the spreadsheet template.

**No password is required for the template to run**

You will note that key cells have been protected in Excel to ensure that the template runs without errors, but the template works without a password. If you are prompted for one, it is because you have tried to type over a formula or a protected cell.

### **Your Task**

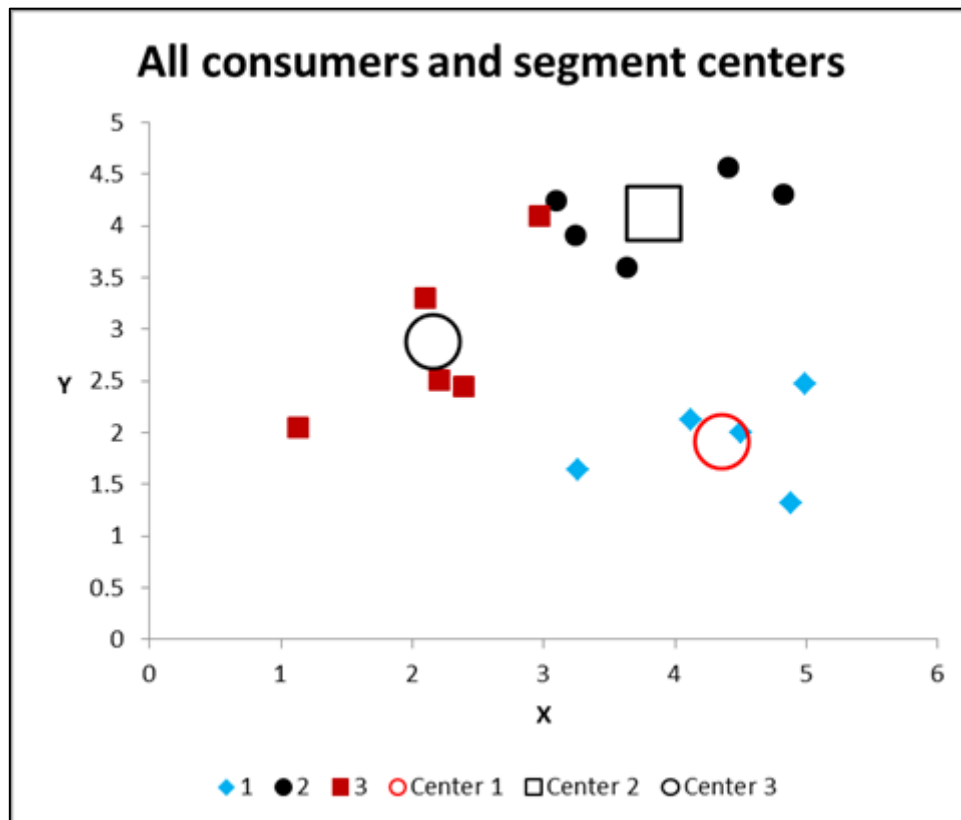
Your task is to enter some hypothetical (or real if you have it) data for consumers. Enter data for at least ten consumers and at least two marketing variables. Please see this list for ideas on potential marketing variables:

- Level of customer satisfaction
- Brand awareness levels
- Loyalty – switching behavior
- Various attitudes to brand/s (*you could incorporate results from an image survey*)
- Various attitudes (agree/disagree) to general life issues (measuring their values)
- Degree of high/low purchase involvement in decisions
- Heavy – light usage levels
- Recency and frequency of purchase
- Importance of price in the purchase decision
- Importance of advertising to the consumer (degree of influence)
- Level of media consumption
- Use of opinion leaders and word-of-mouth for information

Then review the output - some examples are shown below - for the main graphs and tables automatically produced by the spreadsheet. (Please note that these examples are from different segmentation approaches - that is, they use different data).

Get a sense of the various market segments and their "needs" - based upon the marketing variables that you have chosen to use.

Cluster Analysis (Segmentation) Output								
This is an output worksheet only - please do NOT enter any data - use the input data sheet only								
For more assistance, please review the "How to interpret" worksheet								
Output for TWO Clusters/Segments								
Mean/Centroid	Loyalty	Advertising awareness	0	0	0	0	0	0
Segment 1	6.78	4.10						
Segment 2	2.60	4.92						
AVERAGE	4.69	4.51						
Respondents	Number	%						
Segment 1	50	50.0%						
Segment 2	50	50.0%						
AVERAGE	100	100.0%						



### Student Discussion Questions

Play around with the marketing (input) variables - change, add, delete and review the changes - and then answer:

1. How do the variables change the segments?
2. Which types of marketing variables seem to work best - provide more effective segments?
3. Which is your best market segmentation approach from your various "tests"? Why?
4. How do you think that cluster analysis works?
5. What do you think are the pros and cons of this type of approach to market segmentation?