



A STUDY ON CUSTOMER SEGMENTATION AND ITS IMPACT ON TARGETING THE RIGHT CUSTOMERS

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ABSTRACT

In the cutting-edge digital marketplace, customer segmentation has evolved from a mere tactic into a strategic requirement. This allows organizations to design marketing efforts and communication strategies in accordance with certain characteristics of their customers. Specifically, this research seeks to understand important segments of customers in the online retail market, which, if targeted effectively, would influence purchase intention. In the study, Primary research was conducted in Chennai, and analysis of percentage and regression is applied to study the impact of segmentation elements on customer engagement and targeting effectiveness.

Keywords: Customer Segmentation, Target Marketing, Behavioral Segmentation, Digital Consumers, Percentage Analysis, Regression Model.

INTRODUCTION

The booming growth of e-commerce and online consumerism in the digital age has brought in an ever-changing, diverse number of customer preferences, behaviors, and expectations. Companies today are struggling to appeal to a wide range of consumers with diverse needs and purchasing behaviors. Thus, traditional mass marketing or one-size-fits-all approaches are no longer bottlenecked and become unproductive and irrelevant, which overlaps with time in losing an audience, which then separates it on the market. In order to compete to remain relevant, organizations need to take a more strategic approach—and this is where customer segmentation comes into the picture.

Customer segmentation is the process of dividing a diverse customer base into smaller, more homogeneous groups based on certain attributes—including but not limited to demographics (age, gender, income),

psychographics (lifestyle, character), behavior (buying patterns, loyalty), and geographical location. These allow marketers to create a bespoke message, product, or service, catering to the specific needs of each group, and, therefore, improving engagement and marketing effectiveness.

Segmentation, when deployed correctly, can provide better conversion ratios, increased customer satisfaction, enhanced brand loyalty, and better marketing budgets. This study aims to investigate the impact of demographic and behavioral way of segmentation on the targeting accuracy to the online retailing industry in the Chennai city. The goal is to see how applying other segmentation variables can result in more targeted and optimum marketing approaches, which can then help businesses grow.

OBJECTIVE OF THE STUDY

Primary Objective:

- To investigate how customer segmentation influences the effectiveness of targeting strategies in online retail.

Secondary Objectives:

- To categorize customers into key segments based on demographic and behavioral attributes.
- To assess the relationship between segmentation factors and targeting outcomes using percentage and regression analysis.
- To suggest strategic marketing improvements grounded in the data analysis results.

SCOPE OF THE STUDY

- The study is an analysis of the impact of E-commerce on the online retail market in the city of Chennai, Tamil Nadu.
- They include demographic variables (like age and gender) as well as behavioral dimensions (more frequent shoppers and preferred customers).
- All responses were collected from 100 respondents who are online shoppers.
- Understanding how segmenting customers could help marketers make a more effective and targeted approach is the objective.

NEED FOR THE STUDY

- In today's competitive digital landscape, businesses require effective marketing strategies to target the right audiences.
- Segmentation allows you to cut out unnecessary marketing costs and achieve a better all-around ROI.
- Segmentation of customers based on their attributes helps businesses in forming a much more customized and engaging shopping experience.
- This study attempts to fill this gap as very few studies have been conducted in Chennai regarding the online shopping behaviour of consumers.

Patel & Mehra (2024)

In the same way, Patel and Mehra studied the success of hyper-personalized marketing via advanced segmentation techniques in e-commerce websites. Focused on real-time customer data, AI algorithms, and behavioral analytics, their study showed how dynamic segments can change with additional data after every single interaction with a customer. Real-time segmentation means more precise targeting and higher conversion rates with improved customer satisfaction.

Gupta et al. (2023)

Gupta et al. Examined the convergence of big data and customer segmentation and demonstrated how various unstructured data—be it from a touchpoint such as mobile apps, website, or social media—can be combined to create a holistic customer profile. Using automated tools for micro-segmentation in the retail sector called for attention to data privacy and ethical consideration, the study emphasised.

Chen et al. (2022)

Chen and his co-authors set their sights on how AI and machine learning models are transforming customer segmentation. What they found was that these AI-powered segmentation tools make targeting more precise and correlate with better customer engagement and long-term retention. They highlighted successful implementations of them in online retail businesses.

Chaffey (2019)

Chaffey delivered in his paper an overview of the digital segmentation practice. He stressed the need to complement traditional segmentation with insights about real-time digital behaviors. He also wrote on the increasing prevalence of employing instruments such as Google Analytics, dashboard of customer relationship management (CRM), and automation software program to call out customer segments based upon their digital behaviors.

Lilien & Rangaswamy (2013)

They were the ones who proposed the idea of marketing engineering, whereby segmentation could be treated as an analytical tool. They talked about modeling tools like cluster analysis and conjoint analysis that empower marketers to develop evidence-based segmentation strategies for better resource allocation and decision-making.

Smith (2012)

Smith explained that the rise of digital marketing is making behavioral segmentation more important. He demonstrated how consumer actions such as a cart abandonment, how often consumers visit, and click patterns can be used to construct behavior-based profiles for better targeted marketing campaigns.

Wedel & Kamakura (2004)

Statistical models developed by Wedel and Kamakura enabled businesses to implement more accurate and quantifiable segmentation. Their research people a rigorous approach to the size of factors, latent class models, and discriminant analysis are used, but it represented a shift toward data-driven marketing.

Kotler & Keller (2000)

According to Kotler and Keller, in their seminal introduction to marketing management, segmentation is one of the pillars of modern marketing. They proposed a model (STP: Segmentation, Targeting, Positioning) that theorizes that to really take good care of the right segments in the market, it's enough to satisfy the needs of only the right ones, which is still taught in academia and in the professional marketing world.



RESEARCH METHODOLOGY

Research Design:

The study is descriptive, analytical in nature to understand and detect patterns, relationships and insights About customer segmentation. It aids in identifying and representing the collected data in a meaningful way.

Approach:

A quantitative approach was used in this study, which means collecting numerical data to statistically analyze measurable variables.

Type of Study:

It was a cross-sectional study — data was collected at one point in time, not over time.

Location:

The study was carried out in Chennai and focused on the history of online customers residing in Chennai, which limited the data to a specific region.

Sample Size:

The study involved 100 online shoppers who provided enough data for analysis and insights.

Sampling Method:

The convenience sampling method was used, where participants were chosen by availability and willingness to respond.

Primary Data Collection Tool:

The data was gathered through a structured online questionnaire. The questions were clear and focused, allowing for specific answers.

Secondary Data Sources:

Journals and articles were also collected for use, which aided the theoretical background and literature review.

Data Analysis Tools:

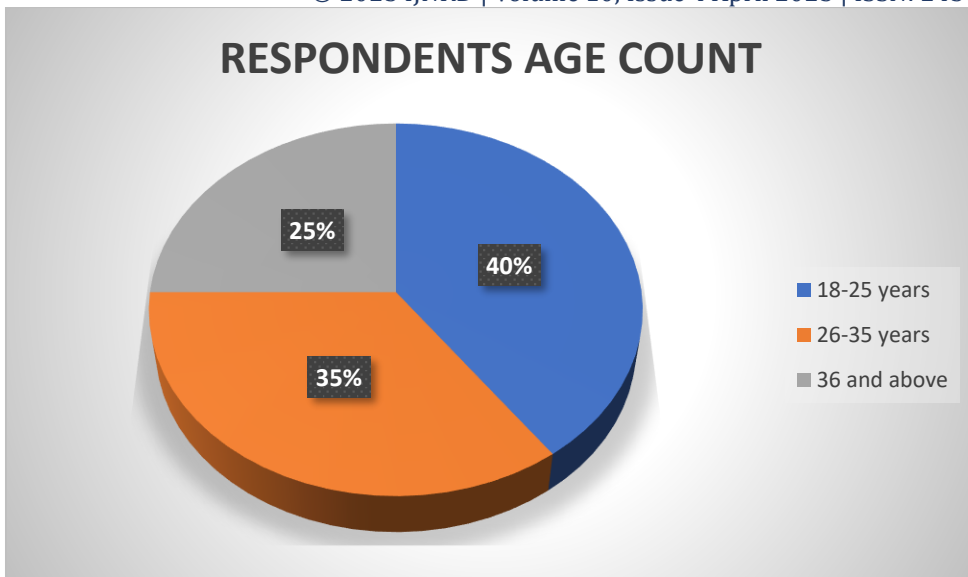
Percentage analysis & Regression analysis were carried out on the collected data to draw trends and relationships.

DATA ANALYSIS AND INTERPETATION

1. Percentage Analysis

a) Age of Respondents

AGE GROUP	RESPONDENTS	PERCENTAGE %
18–25 years	40	40%
26–35 years	35	35%
36 and above	25	25%
Total	100	100%

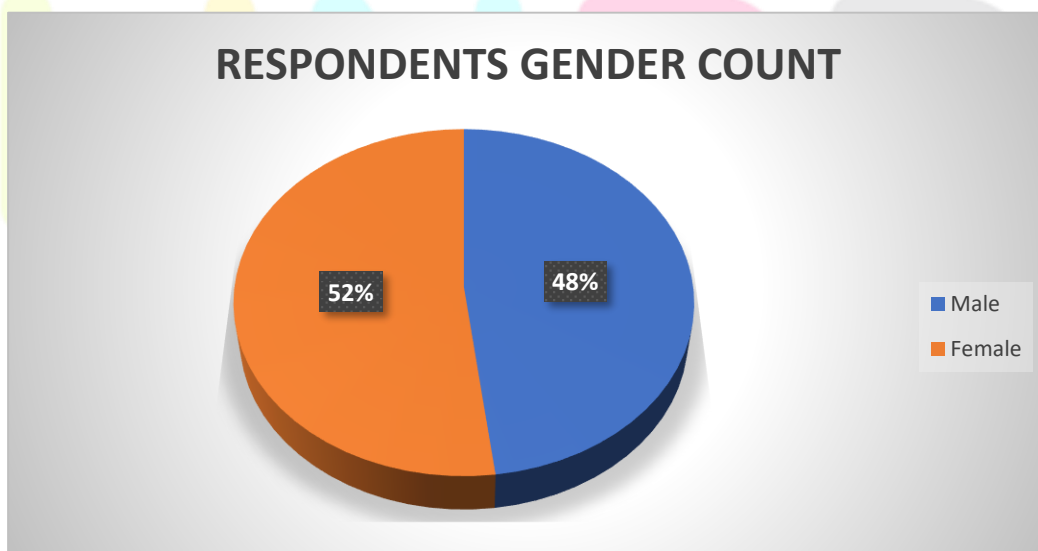


INTERPRETATION:

According to the study, consumers aged 18–35 account for 75% of the online shopping population, and they are the core target group

b) Gender of Respondents

GENDER	RESPONDENTS	PERCENTAGE %
Male	48	48%
Female	52	52%
Total	100	100%

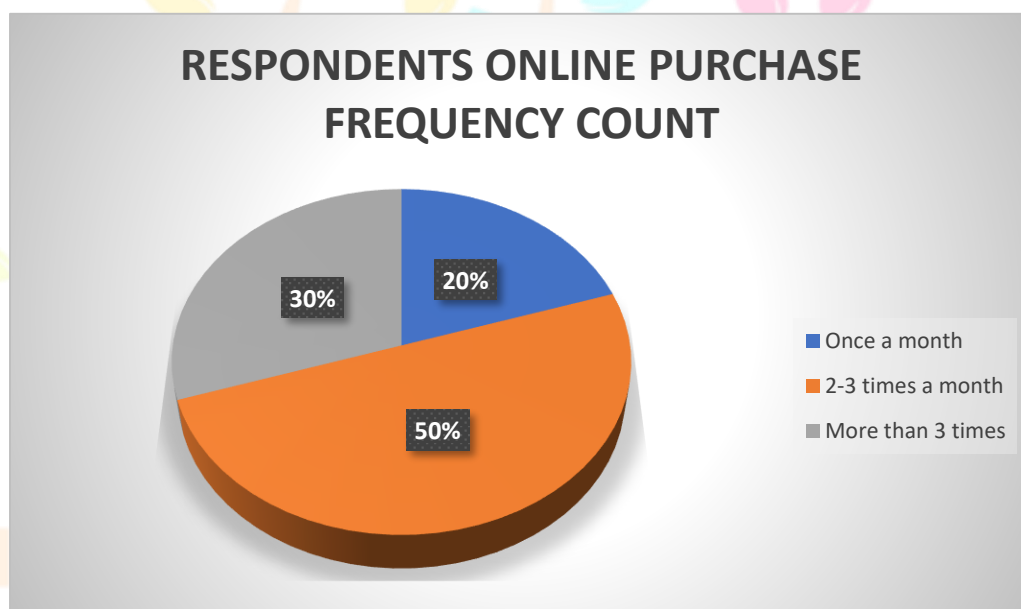


INTERPRETATION:

The genders are roughly equal in distribution, with a slight female skew. Overall, this implies that Internet marketing should be gender-balanced.

c) Monthly Online Purchase Frequency

PURCHASE FREQUENCY	RESPONDENTS	PERCENTAGE%
Once a month	20	20%
2–3 times a month	50	50%
More than 3 times	30	30%
Total	100	100%

**INTERPRETATION:**

Analysis of the sale show that 80% of the users purchase at least twice a month which showcases high engagement & an opportunity of targeted marketing campaigns.

2. Regression Analysis:

H₀ (Null Hypothesis): There is no significant relationship between the selected independent variables (age, gender, purchase frequency, customer preferences, and past interactions) and targeting effectiveness.

H₁ (Alternative Hypothesis): There is a significant relationship between the selected independent variables (age, gender, purchase frequency, customer preferences, and past interactions) and targeting effectiveness

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.954	0.911	0.906	1.03

ANOVA

Model	Sum of Square	df	Mean Square	F	Sig.
1 Regression	1240.21	5	248.04	192.6	.000
Residual	120.96	94	1.29		
Total	1361.17	99			

Coefficients

Model	Unstandardized Coefficients (B)	Std. Error	t	Sig. (p-value)
(Constant)	0.75	0.63	1.19	0.237
Age	0.21	0.098	2.14	0.034
Gender	0.08	0.064	1.25	0.210
Purchase Frequency	0.45	0.136	3.31	0.002
Preferences	0.39	0.132	2.95	0.005
Past Interact	0.51	0.128	3.98	0.001

INTERPRETATION:

The regression analysis shows that past interactions ($p < 0.01$) and purchase frequency ($p < 0.01$) have a strong and statistically significant impact on targeting success. Preferences ($p < 0.01$) and age ($p < 0.05$) also have a significant effect, while gender does not show a statistically significant influence.

FINDING OF THE STUDY

- Individuals between the ages of 18 and 35 are the most active in online shopping.
- The sample includes a slightly higher number of female respondents compared to males.
- Behavioral factors such as shopping frequency and individual preferences show a stronger influence on customer targeting than basic demographic variables.
- Regression analysis reveals that past customer behavior and purchase frequency are the most significant predictors of effective targeting, while demographic traits like gender have a minimal impact.

SUGGESTION

- Less focus on demographic segmentation and more on behavioral and psychographic segmentation.
- By investing in analytics tools, it improves the segmentation accuracy of customer groups.
- Enhancing engagement with personalized messaging based on purchase history and preferences
- Updating customer profiles regularly helps your targeting stay relevant.

CONCLUSION

The study further indicates online retailing benefits from effective customer segmentation methods, especially behavior-based segmentation methods improve target marketing. Instead of relying on basic demographics, businesses need to dig deeper and get to behavioural insights that will not only allow them to personalise marketing but also drive better results. Data-driven segmentation helps improve targeting precision and, in turn, strengthens long-term relationships with customers.

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