

Table 11.1. Customer segments and subsegments by industry.

Airline	Business, leisure, groups, negotiated
Hotel	Students, children, youth, seniors, military
Advertising	Leisure, conventions, meetings, contract accounts, single, double occupancy
Freight	Location , facilities (chains)
Energy	Upfront, scatter
	Express, heavy weight, volume
	Small, medium , Large power demand
	Office, retail, restaurant, grocery, school, lodging,
	Guaranteed, controlled lighting, space heating

- Actionability** Is it feasible to price or market differently for each segment? That is, can we base product design or marketing decisions on the segmentation? Is the segmentation helpful in terms of suggesting practical ways to target customers?

A particular segmentation strategy should be evaluated along each of these criteria. For instance, consider a segmentation of families with more than two children. This segmentation might be difficult to reach in a direct-marketing campaign to households, but is reachable when selling a travel or hospitality product, for example, by giving a discount for three or more children. In the latter case, the segment is identifiable, substantial, reachable, and actionable. However, it may not necessarily prove to be responsive if families of size five or more do not have different price sensitivity than other customers.

11.1.1.1 Segmentation Bases for RM

A *segmentation basis* is the set of product attributes or customer characteristics that define a segment. For instance, the time of booking is a segmentation basis for many RM applications: a customer who books 21 days in advance is classified as a leisure customer (or more precisely, *likely* to be a leisure customer).

There could be more bases than there are segments. To give an example, a hotel could define only two broad customer segments (business and leisure) but use a number of different bases in combination (for instance, week day, time of booking, source of booking) to identify the customer with different degrees of certainty.

Note that some bases are observable (for instance, zip codes because of store location), and some are not (say, family size) and have to be inferred from data such as sales transactions, observed itinerary, and panel data. Table 11.2 gives a classification of segment bases as observable or unobservable and as customer or product-specific. For any basis that is