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Decision support system based on socio-demographic segmentation and distribution channel analysis in the US furniture market

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Abstract

Segmentation is the first step to determine potential markets, which plays an important role for every business firm in today's global and changing environment. Choosing segmentation variables makes first influences to the final outcome of the segmentation process. Among many, demographic, geographic, psychological and behavioral criteria are most used to split a market.

In this article, clustering technique will be applied in a socio-demographic segmentation to identify groups of prospective buyers of the high-end US furniture market by analyzing the secondary data. Geographic Information System (GIS) will then be developed to analyze company's distribution channels in each segment to help decision makers to extend their distribution channel in the target market.

Key words: Decision Support System, Marketing, Market Segmentation, Clustering, Distribution Channel Analysis.

1 Introduction

Market segmentation plays an important role in every firm's strategy in today's business. Market segmentation is based on an assumption that heterogeneous market can be divided into a number of smaller homogeneous segments. Segmentation approaching allows firms to handle the diversity of market and also provides a strategic base for them to maximize competitive advantage in each segment (Weinstein, 1994).

Since the first introduction by (Smith, 1956), market segmentation has been to be popular and be applied in most market analysis processes. According to (Croft, 1994), "Market segmentation is the process of identifying different groups of users within a market who could possibly be targeted with separate products or marketing programs".

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