

In This Issue

- 1. Learn how to run segmentation clustering

Another analytical technique of interest is that of segmentation clustering. Figure 1 illustrates a sample dataset. You can select the data and run the tool through *Risk Simulator | Tools | Segmentation Clustering*. Figure 1 also shows a sample segmentation of two groups. That is, taking the original dataset, we run some internal algorithms (a combination of k-means hierarchical clustering and other method of moments in order to find the best-fitting groups or natural statistical clusters) to statistically divide or segment the original dataset into two groups. You can see the two-group memberships in Figure 1. Clearly, you can segment this dataset into as many groups as you wish. This technique is valuable in a variety of settings including marketing (market segmentation of customers into various customer relationship management groups etc.), physical sciences, engineering, and others.

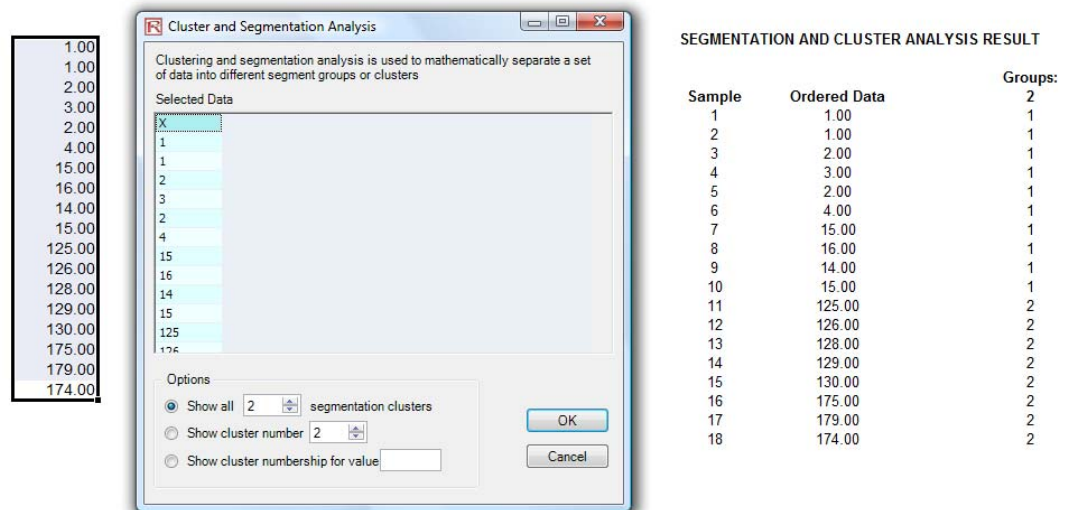


Figure 1. Segmentation Clustering Tool and Results

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