

Market Segmentation Analysis - Notes

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Chapter 1: Market Segmentation

Purpose of Marketing

Aligning consumer needs and desires with supplier offerings benefits both consumers and suppliers.

Marketing Planning

A logical sequence of activities leading to marketing objectives and plans ensures all marketing efforts are aligned with organizational goals.

Strategic vs. Tactical Marketing Plans

- **Strategic Marketing Plan:** Long-term direction, focuses on where and why.
- **Tactical Marketing Plan:** Short-term actions, focuses on what and how.

SWOT Analysis

Identifies strengths, weaknesses, opportunities, and threats, helping understand what the organization can offer consumers.

Market Research

Investigates consumer needs and desires using various methods, providing detailed insights for effective marketing planning.

Segmentation and Targeting

Dividing the market into distinct groups with similar needs and characteristics and selecting which group to focus on.

Positioning

Creating a specific image in the market to appeal to the target segment, differentiating the organization from competitors.

Tactical Marketing Planning

Covers short-term actions, typically within a one-year period, including detailed plans for achieving strategic goals.

Four Areas of Tactical Marketing

- **Product Development:** Modifying and developing products to meet target segment needs.
- **Price:** Setting prices that reflect value and positioning.
- **Place:** Deciding on distribution channels to reach the target segment.
- **Promotion:** Creating marketing communications to attract and retain customers.

Definition and Importance of Market Segmentation

A crucial decision-making tool for marketing managers, involving selecting a target market and designing an appropriate marketing mix.

Historical Perspective

Wendell Smith (1956) proposed market segmentation as a marketing strategy, defining it as viewing a heterogeneous market as several smaller homogeneous markets.

Simple Definition

”Cutting markets into slices” (Grey Advertising Inc.)—dividing a market into segments with similar characteristics.

Segmentation Criteria

Can be based on a single consumer characteristic or a broader set of characteristics.

Illustrative Example

Mobile phones: dividing the market into segments based on desired features and price.

Critical Role in Organizational Success

Vital for organizational success; selecting a specific segment and offering a tailored product can result in high short-term sales and a strong long-term market position.

Market Strategy Approaches

- **Concentrated Market Strategy:** Focuses on one specific segment.
- **Differentiated Market Strategy:** Targets multiple segments with tailored products.
- **Undifferentiated Market Strategy:** Markets the same product to the entire market without targeting specific segments.

Reflective and Insightful Benefits of Market Segmentation

Compels organizations to evaluate their position and future goals, leading to critical new insights and perspectives that can drive strategic planning and innovation.

Tangible Benefits and Competitive Advantage

Results in tangible benefits, such as a better understanding of consumer differences, forming the basis of a long-term competitive advantage.

Micro Marketing and Hyper-Segmentation

Involves offering customized products or services to very small consumer groups and refining segmentation further.

Organizational and Sales Management Benefits

Enhances team building and communication within the organization, allowing targeted sales efforts towards specific consumer groups.

Chapter 2: Market Segmentation Analysis

Definition

Grouping consumers into naturally existing or artificially created segments of consumers who share similar product preferences or characteristics.

Layers of Market Segmentation Analysis

Layer 1: Core Statistical process of extracting market segments from consumer data, requiring a competent data analyst and a user who understands the broader mission of the organization.

Layer 2: Technical Tasks

- Collecting good data (critically important).
- Exploring data for preliminary insights.
- Profiling and describing segments to understand and select target segments.

Layer 3: Implementation Tasks Non-technical tasks representing organizational implementation issues, including assessing market opportunities and committing to a long-term strategy.

Approaches to Market Segmentation Analysis

Based on Organizational Constraints:

- Segment Revolution: Quantitative Survey-Based Approach
- Segment Evolution: Refining existing classifications
- Segment Mutation: Exploratory Research

Based on the Choice of Segmentation Variable(s):

- A Priori: Using one segmentation variable
- A Posteriori: Using multiple segmentation variables

Data Structure and Data-Driven Market Segmentation

- Natural Segmentation
- Reproducible Segmentation
- Constructive Segmentation

Market Segmentation Analysis Step-by-Step

1. Weigh up the advantages and disadvantages of pursuing a segmentation strategy.
2. Specify characteristics of the ideal market segment.
3. Collect or compile empirical data.
4. Explore data.
5. Extract market segments.
6. Profile market segments.
7. Describe market segments in detail.
8. Select one or a small number of market segments to target.
9. Develop a customized marketing mix.
10. Evaluate the success of implementing a market segmentation strategy.

Chapter 3: Ten Steps of Market Segmentation Analysis Deciding (not) to Segment

Market segmentation is the practice of dividing your target market into approachable groups.

Reasons for Market Segmentation

1. Targeted Marketing
2. Customer Understanding
3. Increased Sales
4. Efficient Resources
5. Competitive Advantage
6. Product Development
7. Customer Loyalty
8. Market Insights

Implications of Commitment

Introduction Market segmentation is a crucial strategy for organizations aiming to enhance marketing effectiveness.

Key Points

1. Long-Term Commitment
2. Investment and Costs
3. Necessary Changes
4. Organizational Structure
5. Decision-Making

Important Note: Before adopting a market segmentation strategy, organizations must evaluate their capacity for long-term commitment.

Chapter 4: Specifying the Ideal Target Segment

Implementing a market segmentation strategy can be challenged by various barriers.

Key Barriers

1. Lack of Senior Management Support
2. Organizational Culture
3. Lack of Qualified Expertise
4. Objective and Process-Related Restrictions
5. Operational Challenges

Proactive Measures

Identifying barriers early allows for proactive removal or mitigation.

Specifying the Ideal Target Segment

Segment Evaluation Criteria

Knock-Out Criteria Essential, non-negotiable features that segments must meet to be considered for targeting.

Key Criteria

- Substantiality
- Measurability
- Accessibility

Additional Criteria

- Homogeneity
- Distinctiveness
- Alignment with Strengths
- Identifiability
- Reachability

Important Note: Size is a non-negotiable factor.

Attractiveness Criteria

Evaluate the relative appeal of segments that comply with the knock-out criteria.

Structured Process for Market Segmentation

A structured approach to market segmentation is widely recommended.

Criteria Selection Process

Organizations must identify relevant factors and involve diverse input for comprehensive evaluation.

Finalizing Attractiveness Criteria

The segmentation team should establish approximately six criteria, each assigned a weight indicating its importance.