

STEP 8: Selecting the Target Segment(s)

This step frames an organized methodology for a division group meeting pointed toward choosing potential objective business sectors in view of recently dissected market fragments. The interaction includes a progression of basic assessments and estimations to guarantee the chose sections are suitable and line up with the association's capacities and objectives. Here is a breakdown of each undertaking:

Convene a Segmentation Team Meeting: Gather key team members involved in market segmentation and strategy. Determine Potential Target Markets: Assess Organizational Competitiveness for Each Segment: Evaluate and agree on the organization's relative competitiveness in each segment (e.g., resources, expertise, brand strength).

Preliminary Selection of Target Segments: Based on the evaluations and plot, select the most viable segments as potential targets.

✓ Choosing your ideal market segment is a crucial step, not just picking the biggest or most profitable one. Here's what matters.

✓ Knock-Out Criteria: Before diving in, ensure each segment meets essential criteria like size, internal similarity, distinctiveness from others, identifiability, reachability, and alignment with your company's strengths.

Prioritize Smartly: Recognize scores to prioritize segments that offer both high attractiveness and strong competitiveness. Don't be afraid to eliminate segments with high profit potential but low attractiveness or competitiveness – they might not be a good long-term fit.

The Targeting Decision

Selecting the Target Segments is a critical decision-making point. This step involves selecting one or more target market segments from the options identified earlier in the process.

In Step 8, the team reviews knock-out criteria established in Step 2 to ensure that all considered segments meet these criteria. These criteria include factors like size, homogeneity, distinctiveness, identifiability, reachability, and alignment with organizational capabilities. Once knock-out criteria are confirmed, the team evaluates the attractiveness of remaining segments and the organization's competitiveness for each.

Market Segment Evaluation

Market Segment Evaluation This section discusses the use of decision matrices in the market segmentation process, particularly in Step 8, which involves selecting target market segments. The matrices help visualize relative segment attractiveness and organizational competitiveness.

In the suggested example, a generic segment evaluation plot is presented, emphasizing two axes: "How attractive is the segment to us?" and "How attractive are we to the segment?" To determine segment attractiveness, the team assigns values for each attractiveness criterion based on profiles and descriptions resulting from previous steps. The weighted values for each criterion are then summed up to represent a segment's overall attractiveness. The same process is applied to determine relative organizational competitiveness. Then the segments with lower attractiveness may be eliminated, despite high profit potential.

STEP 9: Customising the Market Mix

Implications for Marketing Mix Decisions • The widely accepted modern interpretation is the 4Ps model, focusing on Product, Price, Promotion, and Place as the key components of an effective marketing strategy.

- Market segmentation is integral to strategic marketing and is closely linked with positioning and competition.
- The segmentation-targeting-positioning (STP) approach, emphasizes a sequential process: segmentation involves profiling and describing segments, followed by targeting the selection of a specific segment, and positioning focuses on distinct product perception aligned with segment needs, differentiating it from competitors.

Product: - ✓ One of the key decisions an organisation needs to make when developing the product dimension of the marketing mix, is to specify the product in view of customer needs.

✓ Other marketing mix decisions that fall under the product dimension are: naming the product, packaging it, offering or not offering warranties, and after sales support services. In terms of the product targeted at this market segment, possible product measures may include developing a new product.

Price • Price is the amount of money customers are willing to pay for a product or service.

- Pricing decisions involve determining the right balance between setting a price that covers production and distribution costs while remaining attractive and competitive in the market.

Place • Place refers to the distribution channels through which a product or service is made available to customers.

- It involves decisions related to the selection of distribution channels, logistics, inventory management, and ensuring that the product is available at the right place and time for customers to purchase.

Promotion • Promotion encompasses all the activities that a company undertakes to communicate and promote its products or services to the target audience. • This includes advertising, sales promotions, public relations, personal selling, and other promotional activities. The goal is to create awareness, generate interest, and persuade customers to make a purchase.