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Market Segmentation

Strategic and Tactical Marketing:

1. **Strategic Marketing:** Strategic marketing involves long-term planning and decision-making aimed at achieving an organization's overall objectives. It focuses on the broader perspective, including market analysis, target audience identification, positioning, and competitive advantage. Key elements of strategic marketing include:

    - **Market Research and Analysis:** Understanding market trends, consumer behavior, competitors, and industry dynamics to identify opportunities and threats.
    - **Market Segmentation and Targeting:** Dividing the market into distinct segments and selecting specific segments to target based on their characteristics and potential for the organization.
    - **Positioning and Branding:** Determining how a company wants to be perceived in the market and establishing a unique position and identity to differentiate itself from competitors.
    - **Product Development and Portfolio Management:** Aligning product offerings with market needs, creating new products, and managing the overall product portfolio to meet strategic objectives.
    - **Marketing Mix (4Ps - Product, Price, Place, Promotion):** Strategically managing product offerings, pricing strategies, distribution channels, and promotional activities to optimize market presence and profitability.

2. **Tactical Marketing:** Tactical marketing involves short-term actions and implementations derived from the strategic marketing plan. It focuses on executing specific tactics to achieve short-term goals and targets set within the strategic framework. Key components of tactical marketing include:

    - **Advertising and Promotion:** Creating and executing advertising campaigns, sales promotions, public relations activities, and other communication strategies to drive immediate sales and customer engagement.
    - **Sales and Distribution Strategies:** Implementing strategies to enhance sales, distribution efficiency, and retail relationships to increase product availability and visibility in the market.

- **Digital Marketing:** Utilizing online platforms, social media, email marketing, search engine optimization, and other digital channels to reach and engage with target customers.
- **Event Marketing:** Organizing events, exhibitions, sponsorships, and trade shows to showcase products and services, generate leads, and build relationships with customers and partners.
- **Customer Relationship Management (CRM):** Managing and optimizing interactions with customers to enhance customer satisfaction, retention, and loyalty.

In summary, strategic marketing involves long-term planning and decision-making to achieve organizational goals, while tactical marketing involves short-term actions and implementations to execute the strategies and achieve specific objectives within the strategic framework. Both are essential for a well-rounded marketing approach that drives business success.

What is market segmentation?

Market segmentation is a fundamental concept in marketing that involves dividing a diverse and heterogeneous market into smaller, more manageable groups or segments based on distinct characteristics, behaviours, needs, or preferences. These segments are homogeneous within but differ from one another, enabling businesses to develop targeted marketing strategies and offerings for each segment. Here's a comprehensive summary:

1. **Definition:** Market segmentation is the process of categorizing a larger market into identifiable and distinct subgroups (segments) characterized by similar traits, preferences, or behaviours. These segments allow businesses to tailor their marketing efforts to effectively reach and engage specific customer groups.
2. **Purpose:**
    - *Targeted Marketing:* Segmentation facilitates the customization of marketing strategies, messages, and products to meet the unique demands and preferences of each segment, maximizing the effectiveness of marketing campaigns.
    - *Improved Communication:* It enables businesses to communicate more effectively with different customer groups, addressing their specific needs and concerns.
    - *Enhanced Profitability:* By focusing on high-potential segments, businesses can optimize resource allocation, boost sales, and improve overall profitability.
3. **Types of Segmentation:**
    - **Demographic Segmentation:** Based on demographic factors such as age, gender, income, education, occupation, and family structure.
    - **Psychographic Segmentation:** Considers lifestyle, personality traits, values, attitudes, interests, and behavioural patterns.
    - **Behavioural Segmentation:** Focuses on purchasing behaviour, usage patterns, brand loyalty, benefits sought, and response to marketing stimuli.

- **Geographic Segmentation:** Divides the market based on geographic boundaries like location, region, country, climate, or urban/rural areas.
- **Firmographic Segmentation:** Applicable in business-to-business (B2B) marketing and categorizes businesses based on industry, company size, type, structure, and location.

4. **Process of Segmentation:**
    - *Research and Data Collection:* Gather data through market research, surveys, interviews, or customer feedback to understand the market and its characteristics.
    - *Segment Identification:* Analyze the data to identify commonalities and differences among customers, allowing for the creation of distinct segments.
    - *Segment Profiling:* Develop detailed profiles for each segment, including demographics, behaviours, preferences, motivations, and buying patterns.
    - *Target Selection:* Evaluate and prioritize segments based on their potential for profitability, growth, accessibility, and alignment with organizational objectives.
    - *Positioning and Strategy:* Design marketing strategies, communication plans, and product/service offerings that align with the unique needs and preferences of each segment.
5. **Challenges and Considerations:**
    - *Data Accuracy and Relevance:* Ensuring the data used for segmentation is accurate, up-to-date, and relevant to the market and industry.
    - *Segment Overlap:* Avoiding significant overlap or redundancy between segments to ensure a clear and distinct division.
    - *Dynamic Market Changes:* Adapting to evolving market trends and consumer behaviours, and revisiting segmentation strategies as needed.

In summary, market segmentation is a strategic tool that allows businesses to divide a broad market into manageable segments, each with distinct characteristics and needs. This segmentation helps in customizing marketing strategies and offerings to maximize the effectiveness of marketing efforts and enhance customer satisfaction and profitability.

Deciding (not) to Segment:

Deciding whether or not to segment the market is a crucial consideration in the market segmentation analysis process. Here's a summary of this decision-making step:

Deciding to Segment: Market segmentation is a strategic approach that can significantly enhance marketing effectiveness. By dividing a broad market into distinct segments based on specific criteria, businesses can tailor their strategies to target each segment individually. This enables a deeper understanding of customer needs, preferences, and behaviours, ultimately leading to more efficient resource allocation and higher customer satisfaction. Deciding to segment is typically recommended when there are clear and meaningful differences among potential customer groups that can be leveraged for strategic advantage.

Deciding Not to Segment: In some cases, not segmenting the market may be a viable strategy, especially when the market is relatively homogenous or the costs and complexities of segmentation outweigh the potential benefits. Businesses might opt for a broader and undifferentiated marketing approach if their product or service has universal appeal or if they lack the resources or data to effectively implement segmentation. However, this approach may limit the ability to tailor marketing efforts and may overlook valuable opportunities to address specific customer needs.

Implications of Committing to Market Segmentation:

The importance of understanding the implications and commitment required for implementing a market segmentation strategy:

- Market segmentation is a significant marketing strategy used by many organizations.
- However, it's not always the best decision and requires careful consideration.
- Before investing in market segmentation analysis, understand its implications.
- Commitment to the segmentation strategy is a long-term endeavor, not a short-term initiative.
- Implementing segmentation involves substantial changes and investments within the organization.
- Segmentation is not cost-free and includes expenses for research, surveys, package and advertisement design.
- It's recommended to segment only if the expected sales increase justifies the costs.
- These changes affect the organization's internal structure, often necessitating adaptations for targeting specific market segments.
- Organizing around market segments rather than products is advised to maximize segmentation benefits.

- Strategic business units dedicated to segments provide an effective organizational structure for focusing on market segment needs.

Implementation Barriers:

The Barriers that can impede the successful implementation of a market segmentation strategy and offers recommendations to overcome them.

- Identified barriers to successful market segmentation implementation include:
    - **Senior Management Barriers:**
        - Lack of leadership, proactive championing, commitment, and involvement in the segmentation process by senior leadership hinder success.
        - Inadequate resource allocation for both initial analysis and long-term strategy.
    - **Organizational Culture Barriers:**
        - Lack of market or consumer orientation, resistance to change, lack of creative thinking, poor communication, and insufficient sharing of information impede implementation.
    - **Training and Expertise Barriers:**
        - Lack of understanding and knowledge about market segmentation among senior management and the segmentation team.
        - Absence of a qualified marketing function or expert in the organization.
        - Lack of a qualified data manager and analyst.
    - **Objective and Process-Related Barriers:**
        - Constraints such as limited financial resources and inability to make necessary structural changes.
        - Lack of clear objectives, planning, structured processes, allocation of responsibilities, and time pressure hinder progress.
    - **Operational Level Barriers:**
        - Resistance to using management science techniques due to a lack of understanding.
        - Importance of presenting market segmentation analysis in an easily understandable and interpretable manner.
- Identifying and proactively addressing these barriers is crucial for a successful market segmentation strategy.

Specifying the Ideal Target Segment

Segment Evaluation Criteria:

The importance of involving users in the market segmentation analysis process and the role they play in determining segment evaluation criteria. Here's a summary:

- The third layer of market segmentation analysis depends significantly on user input.
- To produce useful results for the organization, user input should be pervasive throughout the segmentation analysis process.
- The organization's involvement is crucial in various stages, guiding the technical aspects of market segmentation analysis.
- In Step 2, the organization plays a conceptual role, determining two sets of segment evaluation criteria:
  - **Knock-out criteria:** Non-negotiable features that segments must possess to be considered as potential targets.
  - **Attractiveness criteria:** Used to evaluate the relative attractiveness of remaining market segments compliant with knock-out criteria.
- The literature doesn't typically differentiate between knock-out and attractiveness criteria, presenting a variety of segment evaluation criteria.
- The knock-out criteria are essential and non-negotiable for target segment selection.
- The attractiveness criteria are diverse and serve as a shopping list for the segmentation team to determine the attractiveness of potential target segments.
- The segmentation team selects which attractiveness criteria to use and assesses their relative importance to the organization.
- Knock-out criteria automatically eliminate certain market segments, while attractiveness criteria are negotiated by the team and applied in Step 8 to determine overall segment attractiveness.

Knock-Out Criteria:

The "knock-out criteria," which are essential criteria used to determine if market segments resulting from segmentation analysis are eligible for assessment using attractiveness criteria. Here's a summary:

1. **Definition and Purpose:**
   - Knock-out criteria are fundamental requirements used to evaluate if market segments should proceed to the assessment stage based on attractiveness criteria.

2. **Primary Knock-Out Criteria:**
    - The first suggested knock-out criteria by Kotler (1994) include "substantiality," "measurability," and "accessibility."
3. **Additional Knock-Out Criteria:**
    - Other suggested criteria falling into this category include homogeneity, distinctiveness, and adequate size, alignment with organizational strengths, identifiability, and reachability of segment members.
4. **Criteria Details:**
    - **Homogeneity:** Segment members should be similar to each other.
    - **Distinctiveness:** Members of the segment should be significantly different from members of other segments.
    - **Adequate Size:** The segment must be large enough to warrant customization of the marketing mix.
    - **Alignment with Organizational Strengths:** The organization should have the capability to meet the needs of the segment members.
    - **Identifiability:** Members of the segment should be identifiable in the marketplace.
    - **Reachability:** There should be a feasible way to communicate with and reach segment members to provide them with a customized marketing mix.
5. **Understanding and Specification:**
    - Senior management, the segmentation team, and advisory committees need to comprehend and agree on these criteria.
    - While most criteria do not require further specification, some, like segment size, may need a specific minimum target segment size to be defined

Attractiveness Criteria:

The attractiveness criteria in the context of market segmentation analysis:

1. **Nature of Attractiveness Criteria:**
    - Attractiveness criteria are essential parameters used by the segmentation team to assess the desirability and potential of market segments.
    - Unlike knock-out criteria, attractiveness criteria are not binary; instead, segments are rated based on their attractiveness with respect to specific criteria.
2. **Variety of Criteria:**
    - Table 4.1 lists a wide range of attractiveness criteria available to the segmentation team, providing a diverse set of considerations to evaluate market segments.

3. **Rating Segments:**
    - Each market segment is assessed and rated based on its attractiveness across various criteria.
    - The cumulative attractiveness across all criteria plays a crucial role in determining whether a particular market segment is selected as a target segment in Step 8 of the market segmentation analysis.

Implementing a Structured Process:

The importance of a structured process for evaluating market segments and the commonly used approach of a segment evaluation plot:

- A structured process for assessing market segments is beneficial, widely acknowledged in segmentation literature.
- The popular approach for evaluating segments as potential target markets involves using a segment evaluation plot.
- This plot assesses segment attractiveness and organizational competitiveness on respective axes, determined by the segmentation team.
- There's no universal set of criteria, so factors constituting attractiveness and competitiveness need to be negotiated and agreed upon.
- Investigate a range of possible criteria to determine the most important ones for the organization.
- It's recommended to use a maximum of six factors as a basis for calculating these criteria.
- Involving a team of individuals and representatives from various organizational units in the process is ideal.
- Segment evaluation plot can't be completed in Step 2, but determining attractiveness criteria early ensures capturing essential information during data collection.
- This early determination simplifies target segment selection in later steps.
- At this stage, define approximately six attractiveness criteria with assigned weights indicating their importance relative to each other.
- Typically, the team allocates 100 points across the criteria, and these allocations are negotiated until agreement is achieved.
- Approval by an advisory committee, representing diverse organizational perspectives, is optimal for finalizing segment attractiveness criteria.

Segmentation Variables:

- Empirical data is fundamental for both common-sense and data-driven market segmentation.

- The term "segmentation variable" refers to the empirical data used to split a sample into market segments in common-sense segmentation.
- Common-sense segmentation often involves a single characteristic, like gender, to create segments.
- Descriptor variables, such as age, vacations taken, and benefits sought during vacations, help describe these segments in detail.
- Data-driven market segmentation utilizes multiple segmentation variables to identify or create useful market segments for the organization.
- Data quality is crucial for valid segmentation solutions and effective description of segments, impacting product customization, pricing strategy, distribution channels, and communication strategies.
- Good market segmentation analysis necessitates high-quality empirical data.
- Empirical data for segmentation can be sourced from surveys, observations (like scanner data), or experimental studies, ideally reflecting consumer behaviour.
- Survey data, though common, can be unreliable for behaviour-related interests; various sources should be explored to find the most accurate reflection of consumer behaviour.

Segmentation Criteria:

The critical decision organizations must make before initiating market segmentation: choosing the segmentation criterion. It also emphasizes the importance of considering various relevant segmentation criteria and selecting the simplest, most effective approach. Here's a summary:

- Before segment extraction, organizations must decide on the segmentation criterion, which is broader than a segmentation variable and defines the nature of the information used for segmentation.
- Segmentation criteria can include geographic, socio-demographic, psychographic, and behavioural factors.
- Commonly relevant differences between consumers for segmentation include profitability, bargaining power, preferences for benefits or products, barriers to choice, and consumer interaction effects.
- Choosing the appropriate segmentation criterion requires prior market knowledge and cannot be easily outsourced.
- The decision on which segmentation criterion to use should be based on market understanding, and the simplest possible approach is often recommended.
- The choice of segmentation criterion should align with what works best for the product or service at the least possible cost rather than opting for complexity for its own sake.

Geographic Segmentation:

Geographic segmentation which is considered one of the earliest and simplest segmentation criteria, it outlines the advantages and disadvantages of using geographic information for market segmentation. Here's a summary:

- Geographic information was historically the original segmentation criterion in market segmentation.
- In geographic segmentation, the consumer's location of residence is used to form market segments, often effective for targeting.
- For instance, geographic segmentation is important for accommodating language differences in marketing efforts for tourists from various neighboring countries.
- Global companies like Amazon and IKEA adjust their offerings and communication based on the customer's geographic location.
- Advantages of geographic segmentation include easy assignment of consumers to geographic units, facilitating targeted communication using local channels.
- However, a major disadvantage is that residing in the same location doesn't guarantee similar product preferences or other relevant characteristics.
- Geographic segmentation might not capture differences in product preferences well; other segmentation criteria are often needed.
- This approach is challenging as segmentation variables need to be meaningful across diverse geographic regions and different cultural backgrounds of respondents can introduce biases.
- An example of an international market segmentation study is provided by Haverila (2013), segmenting mobile phone users among young customers across national borders.

Behavioural Segmentation:

- Another approach to segment extraction involves searching for similarities in behaviour or reported behaviours.
- Various behaviours can be used as segmentation criteria, such as prior experience with the product, purchase frequency, amount spent on purchases, and information search behaviour.
- Behavioural segmentation is advantageous when based on actual behaviour rather than stated or intended behaviour, as it directly uses the behaviour of interest for segment extraction.
- Behavioural segmentation groups people based on the most relevant similarity in behaviour.
- Examples of behavioural segmentation include using actual consumer expenses and purchase data as segmentation variables, as well as brand choice behaviour over time.
- Using behavioural data negates the need to develop valid measures for psychological constructs.

Socio-Demographic Segmentation:

- Socio-demographic segmentation criteria include age, gender, income, and education.
- Such segments are particularly useful in certain industries like luxury goods, cosmetics, baby products, retirement villages, and tourism resort products.
- Socio-demographic segmentation allows for easy determination of segment membership for each consumer.
- It can explain specific product preferences in some cases (e.g., family vacation choices based on having children).
- Demographics are estimated to explain only about 5% of the variance in consumer behavior according to Haley (1985).
- Yankelovich and Meer (2006) argue that socio-demographics are not a strong basis for market segmentation, advocating for values, tastes, and preferences as more influential factors in consumers' buying decisions.

Psychographic Segmentation:

- Psychographic segmentation categorizes people based on psychological criteria like beliefs, interests, preferences, aspirations, or benefits sought when purchasing a product.
- Psychographics is a comprehensive term encompassing measures related to the mind.
- Benefit segmentation, pioneered by Haley, is a popular form of psychographic segmentation, focusing on consumer benefits sought.
- Psychographic criteria are more complex than geographic or socio-demographic criteria, often requiring multiple segmentation variables to capture relevant dimensions.
- Psychographic segmentation provides deeper insights into consumer behavior, reflecting the underlying reasons for differences in preferences.
- The approach is commonly used in tourism segmentation, with travel motives serving as a basis for data-driven market segmentation.
- However, determining segment memberships in psychographic segmentation is more complex, and the efficacy of this approach relies on the reliability and validity of the empirical measures used to capture psychological dimensions of interest.

Data from Survey Studies:

1. **Prevalence of Survey Data:**
    - Survey data is a common source for market segmentation analyses due to its affordability and ease of collection, making it accessible for organizations of varying sizes and resources.
2. **Biases in Survey Data:**

- However, survey data, compared to data obtained from observing actual behavior, can be susceptible to various biases.
- These biases have the potential to negatively impact the quality and accuracy of the solutions derived from market segmentation analysis.

Choice of Variables:

- Thoughtful selection of segmentation variables is crucial for effective market segmentation.
- In data-driven segmentation, all relevant variables tied to the segmentation criterion should be included, while unnecessary ones should be avoided.
- Including unnecessary variables can cause respondent fatigue and diminish response quality, impacting the segmentation outcome.
- Unnecessary or noisy variables divert analytical attention and make it difficult to extract accurate market segments.
- Noise in variables can arise from poorly designed survey questions or careless selection of segmentation variables.
- It's recommended to include only necessary and unique questions, avoiding redundancy and unnecessary complexity.
- Redundant questions are common in survey research but can impede segmentation algorithms' ability to identify accurate segmentation solutions.

Response Options:

- Survey response options determine the type of data available for analysis in segmentation.
- Binary or dichotomous response options generate binary data (0s and 1s), allowing clear distance measurements for segmentation.
- Nominal variables represent options where respondents select one choice from an unordered list, making them suitable for binary transformation.
- Metric data, generated by numerical responses like age or number of nights stayed, permit a wide range of statistical procedures and distance measurements.
- The most common response format is ordered options with a limited range, creating ordinal data, making distance measurement challenging without specific assumptions.
- Ideally, surveys should use metric or binary response options when appropriate to simplify distance measurement and subsequent segmentation analysis.
- Visual analogue scales, allowing respondents to mark positions along a continuous line, can capture nuanced responses, providing metric data.
- Binary response options often perform better than ordinal options, especially when formulated in a level-free manner.

Response Styles:

- Survey data can be influenced by response biases, where respondents systematically deviate from the specific item content.
- Response styles are consistent biases displayed by a respondent over time and across different questions, independent of the item content.
- Various response styles can affect survey answers, such as extreme responses (e.g., STRONGLY AGREE, STRONGLY DISAGREE) and using the midpoint (NEITHER AGREE NOR DISAGREE).
- Response styles impact segmentation outcomes as standard algorithms may not differentiate between a respondent's genuine belief and the influence of response styles.
- Segmentation based on biased responses can lead to misinterpretations and incorrect conclusions about market segments.
- Minimizing the capture of response styles during data collection is crucial for accurate market segmentation.

Sample Size:

1. **Sample Size Importance:**

    - Inadequate sample size makes it difficult to determine the correct number and nature of segments, hindering effective segmentation.
    - Sufficient sample size significantly aids in identifying the correct market segmentation solution.

2. **Studies and Sample Size Recommendations:**

    - Formann (1984) recommends a sample size of at least 2p, emphasizing goodness-of-fit testing in latent class analysis with binary variables.
    - Qiu and Joe (2015) propose a sample size of 10 * p * k (p = segmentation variables, k = segments) for constructing artificial data sets.
    - Dolnicar et al. (2014) suggest a sample size of at least 60 * p, and for more challenging scenarios, a recommendation of at least 70 * p.
    - Dolnicar et al. (2016) extended the research to account for various market and data characteristics affecting sample size requirements.

3. **Effect of Sample Size on Correctness:**

    - Increasing the sample size improves the algorithm's ability to identify the correct market segmentation solution.
    - The degree of improvement varies based on market and data characteristics.

4. **Compensating Factors:**

- Larger sample sizes compensate for challenges like uncorrelated segmentation variables but have limited impact on highly correlated variables.

5. **Conclusion and Recommendations:**

   - Optimal data for segmentation should have necessary items, no unnecessary or correlated items, high-quality responses, and a suitable sample size.

In summary, achieving accurate market segmentation necessitates a sufficient sample size and high-quality, unbiased data, considering various factors that can influence the segmentation outcome. The recommended sample size is at least 100 respondents for each segmentation variable.

Data from Internal Sources:

The usage of internal data for market segmentation analysis:

1. **Advantages of Internal Data:**

   - Internal data sources like scanner data, airline loyalty program data, and online purchase data offer insights into actual consumer behaviour, avoiding biases associated with self-reported statements or intentions.

   - They are automatically generated, and if stored appropriately, are easily accessible, requiring no additional effort for data collection.

2. **Challenges and Considerations:**

   - **Potential Bias towards Existing Customers:** Internal data might predominantly represent the behaviour of existing customers, potentially resulting in a biased view of the market.

   - **Lack of Representation of Potential Future Customers:** The data may not provide insights into potential future customers, thus potentially overlooking differences in consumption patterns compared to current customers.

Data from Experimental Studies:

Experimental Data as a Source:

- Experimental data can be gathered from field or laboratory experiments, particularly focusing on how individuals respond to various stimuli such as advertisements or product attributes.

- Experiments, such as choice experiments or conjoint analyses, involve presenting consumers with specific product attribute combinations to gauge their preferences and choices.

2. **Segmentation Criteria from Experimental Data:**

   - The response to experiments, whether related to advertisements or product attributes, can be utilized as segmentation criteria.

Selecting the Target Segment(s)

The Targeting Decision:

Step 8 of the market segmentation process is emphasized as a crucial decision-making stage for selecting target market segments. Here's a comprehensive summary:

1. **Significance of Step 8:**
    - Step 8 marks a pivotal point in market segmentation, where the strategic decision of selecting one or more target market segments is made.
    - The selection of target segments is a long-term decision that profoundly impacts the future performance of an organization.
2. **Sequence of Segmentation Steps:**
    - The segmentation process progresses through several steps: global market segmentation solution choice, detailed inspection of segments, profiling, and description, leading to Step 8 for target segment selection.
3. **Role of Previous Steps:**
    - Knock-out criteria and segment attractiveness criteria were established in previous steps, providing a foundation for decision-making in Step 8.
    - Previous steps ensure that potential market segments meet predetermined criteria, such as size, homogeneity, distinctiveness, and ability to satisfy organizational capabilities.
4. **Selection Process in Step 8:**
    - The first task in Step 8 involves confirming that all remaining market segments meet the established knock-out criteria, emphasizing their compliance with predetermined requirements.
    - Subsequently, the attractiveness and organizational competitiveness for these segments are evaluated, leading to two key questions:
        - Identifying which market segments the organization desires to target and commit to.
        - Assessing which organizations offering similar products each segment would prefer and how likely they are to choose and commit to the organization.
5. **Basis for Target Segment Decision:**
    - The answers to the above questions provide the basis for making informed decisions about target market segments.

- This step emphasizes commitment and strategic alignment with chosen segments, akin to proposing and committing in a relationship.

In essence, Step 8 involves confirming compliance with criteria, evaluating attractiveness and competitiveness, and making strategic decisions to target specific market segments that align with the organization's objectives.

Market Segment Evaluation:

1. **Importance of Decision Matrices:**

    - Decision matrices help in evaluating and comparing market segments, aiding organizations in selecting the most suitable segments for targeting in their marketing strategies.

2. **Different Types of Decision Matrices:**

    - Several types of decision matrices have been introduced, including the Boston matrix, General Electric/McKinsey matrix, directional policy matrix, McDonald four-box directional policy matrix, and market attractiveness-business strength matrix.

3. **Purpose of Decision Matrices:**

    - The main purpose of decision matrices is to simplify the evaluation of alternative market segments and assist in the selection of one or a few segments to target.

4. **Key Criteria for Evaluation:**

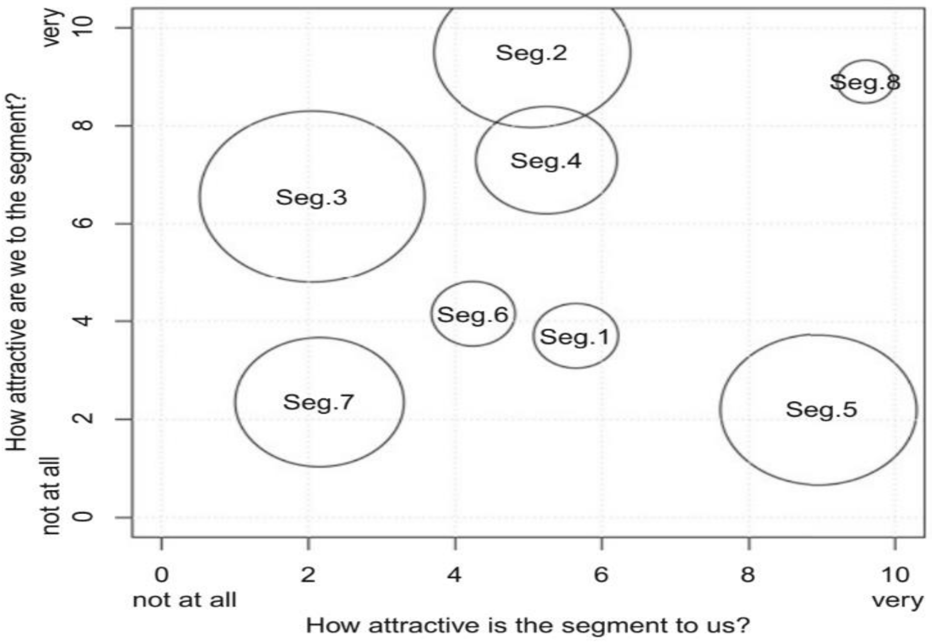
    - The axes of the decision matrix represent two crucial dimensions: segment attractiveness and relative organizational competitiveness within each segment.
    - Segment attractiveness is likened to the question of whether one would like to marry a person given all other potential options in the world.
    - Relative organizational competitiveness is akin to the question of whether that person would marry you, considering all their potential options.

5. **Segment Evaluation Plot:**

    - The text introduces a generic segment evaluation plot, demonstrating segment attractiveness on the x-axis and relative organizational competitiveness on the y-axis.
    - The size of circles representing segments in this plot can reflect other criteria such as contribution to turnover or loyalty, aiding in segment selection.

	Weight	Seg 1	Seg 2	Seg 3	Seg 4	Seg 5	Seg 6	Seg 7	Seg 8
How attractive is the segment to us? (segment attractiveness)									
Criterion 1	25%	5	10	1	5	10	3	1	10
Criterion 2	35%	2	1	2	6	9	4	2	10
Criterion 3	20%	10	6	4	4	8	2	1	9
Criterion 4	10%	8	4	2	7	10	8	3	10
Criterion 5	10%	9	6	1	4	7	9	7	8
Total	100%	5.65	5.05	2.05	5.25	8.95	4.25	2.15	9.6
How attractive are we to the segment? (relative organisa-tional competitiveness)									
Criterion 1	25%	2	10	10	10	1	5	2	9
Criterion 2	25%	3	10	4	6	2	4	3	8
Criterion 3	25%	4	10	8	7	3	3	1	10
Criterion 4	15%	9	8	3	9	4	5	3	9
Criterion 5	10%	1	8	6	2	1	4	4	8
Total	100%	3.7	9.5	6.55	7.3	2.2	4.15	2.35	8.9
Size		2.25	5.25	6.00	3.75	5.25	2.25	4.50	1.50

6. **Segment Attractiveness Assessment:**
    - Step 8 involves determining the attractiveness value of each market segment based on the defined criteria.
    - The process includes assigning values for each attractiveness criterion to segments.
    - The assigned values are then multiplied by the previously assigned weights, representing the importance of each criterion.
    - The resulting weighted values are summed to represent a segment's overall attractiveness, plotted on the x-axis of the evaluation plot.
7. **Calculating Segment Attractiveness:**
    - The value of how attractive the organization is to a segment is determined by agreed-upon criteria, weighted according to importance.
    - Each segment is rated based on these criteria, and the values are multiplied by their respective weights, and then summed up.
    - This process mirrors the calculation for the segment's attractiveness from the organizational perspective.



8. **Relative Organizational Competitiveness:**
   - Similar to segment attractiveness, assessing organizational competitiveness involves identifying criteria consumers use to choose between offerings in the market.
   - Possible criteria include product attractiveness, price suitability, distribution channel availability, and brand awareness.
   - This assessment is done for each segment, following a similar procedure of assigning values and applying weights to calculate the segment's position on the y-axis of the evaluation plot.
9. **Bubble Size Representation:**
   - The bubble size in the evaluation plot is a critical factor and typically represents profit potential of each segment.
   - Profit potential combines information about segment size and spending, aiding in the selection of target segments.
   - The passage highlights that in different contexts, entirely different criteria could be used for determining the bubble size, based on specific organizational goals.
10. **Interpreting the Plot for Decision Making:**
    - The completed evaluation plot provides a basis for discussions within the segmentation team.
    - The team can use the plot to make informed decisions, potentially eliminating unattractive segments or considering segments that align well with the organization's offerings despite lower profit potential.