

Step 8

Step 8 of the market segmentation process involves selecting one or more market segments for targeting. This decision significantly impacts the future performance of an organization, and it requires evaluating the attractiveness of the remaining segments and the organization's competitiveness for those segments. The knock-out criteria established in Step 2 need to be applied to ensure that the remaining market segments are large enough, homogeneous, distinct, identifiable, reachable, and that the organization can satisfy their needs. The attractiveness of the remaining segments and the relative competitiveness of the organization for these segments need to be evaluated using a decision matrix. The process involves using a decision matrix to visualize the relative attractiveness and competitiveness of each segment, and the market segmentation team must use their specifications of an ideal target segment to make the selection. The chosen matrix plots segment attractiveness and relative organizational competitiveness, and the size of the circles representing segments reflects other relevant criteria, such as contribution to turnover or loyalty. The team must ensure that all the remaining segments comply with the knock-out criteria before making a decision.

Step 9

The marketing mix includes four key elements: Product, Price, Promotion, and Place. Market segmentation is not a standalone strategy but is linked with positioning and competition. The Segmentation-Targeting-Positioning (STP) approach is often used, which starts with market segmentation, followed by targeting, and finally positioning. Customizing the marketing mix to the target segment is essential for a successful segmentation strategy. One of the most crucial decisions is to specify the product in view of customer needs, which may require modifying an existing product or developing a new one. Other product-related decisions include naming, packaging, offering warranties, and after-sales support.

services. The segmentation analysis can be conducted specifically for informing pricing, advertising, or distribution decisions by using suitable segmentation variables. The detailed description of the target segment resulting from the segmentation analysis guides organizations in how to develop or adjust the marketing mix to cater to the target segment effectively. The organization can structure the entire market segmentation analysis around one of the 4Ps to inform decisions about pricing, advertising, or distribution.