

Step 8 of the market segmentation process is a critical step that involves selecting the target segment(s) for a marketing strategy. It represents a transition from exploration to commitment, as the organization identifies the segment(s) it intends to focus on in the long term. To reach this decision, several factors and evaluation criteria are considered.

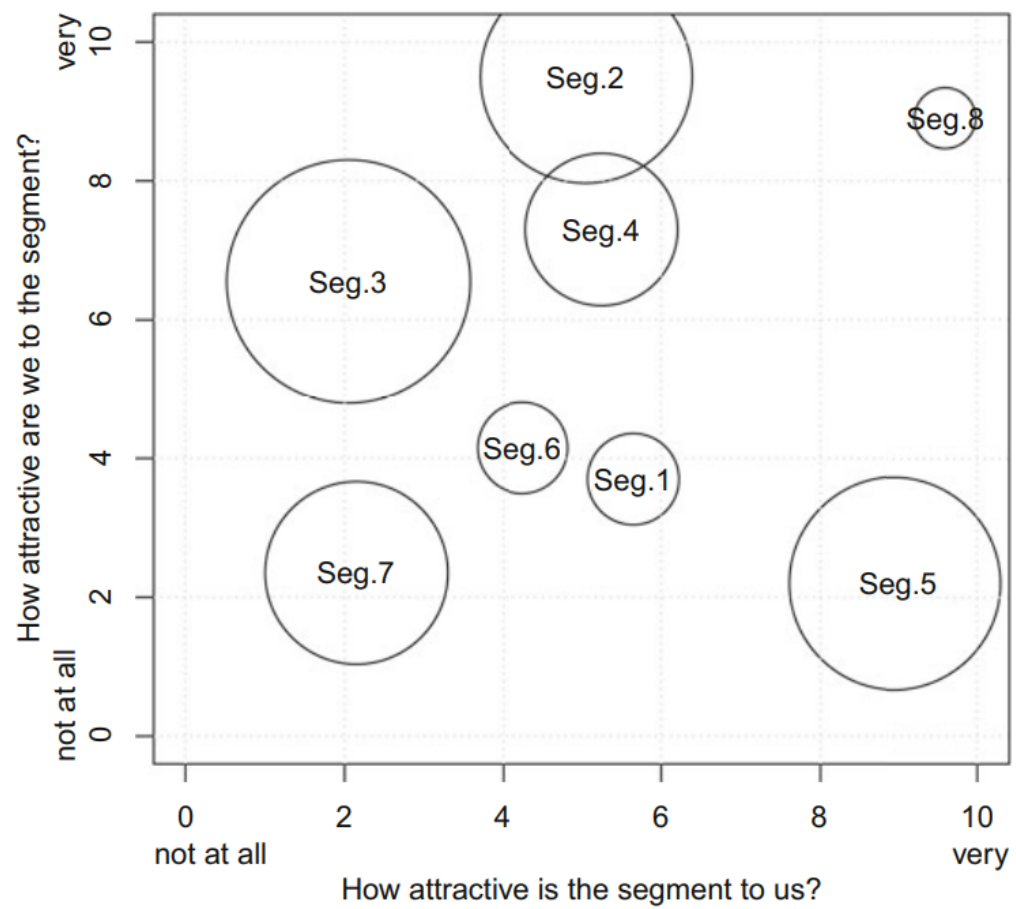
In the earlier steps of the market segmentation process, specifically in Step 2, certain knock-out criteria were established. These criteria help eliminate segments that are too small, homogeneous, or distinct, as well as those with needs that the organization cannot effectively satisfy. By applying these criteria in Steps 6 and 7, only viable market segments remain for consideration in Step 8.

In Step 8, the market segmentation team evaluates and compares the remaining market segments. This evaluation is often done using a decision matrix that helps visualize the relative attractiveness of each segment and the organization's competitiveness within each segment. The decision matrix consists of criteria that fall into two broad categories: (a) Which segment(s) would the organization most prefer to target and commit to? (b) Which organization(s) would each segment prefer to buy from, and how likely is it for each segment to choose the organization?

To assess attractiveness and competitiveness, specific criteria and weights agreed upon in Step 2 are utilized. The team assigns values to each criterion for each segment based on the profiling and description conducted in Steps 6 and 7. This process allows for a comprehensive evaluation of each segment's potential and the organization's ability to meet their needs effectively.

One visual tool commonly used in Step 8 is the segment evaluation plot. This plot illustrates the attractiveness of segments to the organization along the x-axis and the organization's attractiveness to segments along the y-axis. Each segment is represented by a circle, and additional criteria such as profit potential can be depicted by the size of the circles. The segment evaluation plot serves as a visual aid to facilitate discussions and decision-making within the segmentation team.

## 10.2 Market Segment Evaluation



**Fig. 10.1** Segment evaluation plot

The steps that an organization should undergo to select segment(s) are:

1. **The Targeting Decision:** Selecting a target segment is a crucial long-term decision that significantly impacts the organization's future performance. It marks the transition from exploration to commitment in the market segmentation process.
2. **Previous Steps:** The knock-out criteria established in Step 2 and applied in Steps 6 and 7 ensure that only viable market segments are considered in Step 8. These criteria eliminate segments that are too small, homogeneous, or distinct, as well as those with needs the organization cannot satisfy.
3. **Market Segment Evaluation:** To evaluate and compare different market segments, a decision matrix is often used. This matrix visualizes the relative attractiveness of segments and the organization's competitiveness in each segment.
4. **Criteria for Evaluation:** The decision matrix considers two broad categories of questions:  
a) Which segment(s) would the organization most like to target and commit to? b) Which organization(s) would each segment prefer to buy from, and how likely is it for each segment to choose the organization?
5. **Determining Attractiveness and Competitiveness:** The market segmentation team uses specified criteria and weights agreed upon in Step 2 to evaluate segment attractiveness and organizational competitiveness. This involves assigning values to each criterion for each segment based on profiling and description in Steps 6 and 7.
6. **Segment Evaluation Plot:** The segment evaluation plot visualizes the attractiveness of segments to the organization along the x-axis and the organization's attractiveness to segments along the y-axis. Segments are represented by circles, and the size of the circles can represent additional criteria such as profit potential.
7. **Decision Making:** The segment evaluation plot serves as a basis for discussions and decisions within the segmentation team. Segments that are unattractive or have low compatibility with the organization may be eliminated, while segments with high attractiveness and compatibility are considered for targeting.

By diligently following Step 8 of the market segmentation process, organizations can identify the most suitable target segment(s) for their marketing efforts. This informed decision-making ensures that resources are allocated effectively, and the organization can tailor its strategies to meet the unique needs and preferences of the chosen target segment(s).