**SELECTING THE TARGET SEGMENTS**

1. **The Targeting Decision**

* **Significance of Step 8:** This step is crucial in the market segmentation process as it involves making the big decision of selecting one or more target segments from the options identified earlier. It directly impacts the future performance of the organization.
* **Transition from Exploration to Decision-making:** Step 8 marks the transition from exploring various market segments to making concrete decisions about which segments to target. It signifies the end of the exploration phase and the beginning of strategic commitment.
* **Criteria from Previous Steps:** The decision-making process in Step 8 builds upon criteria established in earlier steps, particularly Step 2. This includes knock-out criteria for eliminating unsuitable segments and attractiveness criteria for evaluating segment potential.
* **Criteria Application in Earlier Steps:** Ideally, the criteria set in Step 2 have already been applied in previous steps. For example, in Step 6, segments were profiled to ensure they were large, homogeneous, and distinct. Step 7 further examined segments to confirm they were identifiable, reachable, and aligned with the organization's capabilities.
* **Illustrative Example:** An example is provided where a nature-based destination in outback Australia may not align with the needs of a segment like BIG SPENDING CITY TOURIST. This underscores the importance of selecting segments that match the organization's offerings.
* **Strategic Decision-making:** Step 8 requires careful consideration and strategic decision-making to choose target segments that offer the greatest potential for success. It involves weighing various factors to ensure alignment with organizational goals and capabilities.
* **Confirmation of Knock-out Criteria Compliance:** Before proceeding with Step 8, it's essential to ensure that all market segments under consideration as target markets have already passed the knock-out criteria test. Although this should have been done in previous steps, double-checking is prudent to avoid oversight.
* **Evaluation of Segment Attractiveness and Organizational Competitiveness:** Following the confirmation of compliance with knock-out criteria, the next task involves evaluating the attractiveness of the remaining segments and the organization's competitiveness within these segments. This evaluation revolves around two key questions:

**a. Segment Preference:** Which market segments does the organization most prefer to target and commit to? This entails identifying segments that align with the organization's strategic goals and objectives.

**b. Organizational Competitiveness**: Among organizations offering similar products, which segments are most likely to prefer our organization and commit to it? This involves assessing the likelihood of each segment choosing the organization over competitors and committing to a long-term relationship.

* **Basis of Target Segment Decision**: The answers to these questions serve as the foundation for the target segment decision. By considering both the organization's preferences and its competitiveness within each segment, the segmentation team can make informed decisions about which segments to prioritize for targeting.

1. **Market Segment Evaluation:**

* **Use of Decision Matrices:** Various books recommend the use of decision matrices to visualize segment attractiveness and organizational competitiveness. These matrices have different names like Boston matrix, General Electric/McKinsey matrix, directional policy matrix, and market attractiveness-business strength matrix.
* **Purpose of Decision Matrices:** The aim of these matrices is to assist organizations in evaluating alternative market segments and selecting target segments.
* **Dimensions Covered**: Decision matrices plot segment attractiveness and relative organizational competitiveness along two axes. Segment attractiveness is akin to the question "Would you like to marry this person?" while organizational competitiveness is akin to "Would this person marry you?"
* **Segment Evaluation Plot:** A generic segment evaluation plot, with attractiveness and competitiveness along the axes, is used. Segment circles represent different segments, with circle size reflecting additional criteria like contribution to turnover or loyalty.
* **Subjectivity in Measurement:** There's no single best measure for segment attractiveness or organizational competitiveness. Users need to refer back to their ideal target segment specifications outlined in Step 2 of the segmentation analysis.
* **Determining Segment Attractiveness:** To plot segments on the evaluation plot, the segmentation team assigns values to attractiveness criteria for each segment based on grouping, profiling, and description from Steps 6 and 7. The values are weighted according to importance specified in Step 2 to determine overall attractiveness.
* **Calculating Organizational Competitiveness:** Similar procedures are followed for determining relative organizational competitiveness, considering criteria like product attractiveness, price suitability, distribution channels, segment awareness, and brand image.