

## AIM OF MARKET SEGMENTATION

Marketing aims to match consumer needs and desires with suitable supplier offers.

- This matching process benefits both consumers and suppliers and drives marketing planning.
- Marketing planning involves setting objectives and formulating plans to achieve them.
- A marketing plan consists of a strategic plan (long-term direction) and a tactical plan (short-term actions).
- The strategic plan determines the organization's desired destination, while the tactical plan outlines how to get there.
- The strategic marketing plan identifies consumer needs, internal strengths/weaknesses, and external opportunities/threats.
- Market research helps understand consumer needs through various methods.
- Key decisions in strategic planning include segmentation, targeting, and positioning.
- Tactical marketing planning focuses on product development, pricing, distribution channels, and promotion.
- The tactical plan depends on the strategic plan, but the strategic plan doesn't depend on the tactical plan.
- Strategic marketing determines the right mountain to climb, while tactical marketing provides the necessary equipment.
- Good strategic marketing combined with good tactical marketing leads to the best outcome.
- Bad strategic marketing combined with bad tactical marketing leads to failure, but it unfolds slowly.
- Excellent tactical marketing based on bad strategic marketing is like running full speed up the wrong mountain.
- Strategic marketing is crucial for organizational success, and tactical marketing cannot compensate for bad strategic marketing.

In summary, marketing involves understanding consumer needs, setting goals, and formulating plans to achieve them. Strategic marketing determines the direction, while tactical marketing focuses on actions. Good strategic marketing is essential for success, and tactical marketing complements it.

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## BENEFITS OF MARKET SEGMENTATION

Market segmentation forces organizations to assess their current position and future goals.

It encourages organizations to identify their strengths and understand consumer preferences.

Market segmentation improves the alignment between organizational strengths and consumer needs.

A well-implemented market segmentation strategy can lead to long-term competitive advantage and market dominance.

Extreme segmentation approaches include micro marketing and finer segmentation, tailoring products or services to small groups or even individual consumers.

The rise of eCommerce and consumer databases has made finer segmentation more feasible.

A targeted marketing mix yields a higher return on investment by focusing efforts on satisfying the needs of specific segments.

For small organizations with limited resources, focusing on a distinct group of consumers can be essential for survival.

Market segmentation is effective in sales management, allowing for targeted sales efforts.

Market segmentation can contribute to team building and improve communication across organizational units.

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## FACTORS

The text discusses various factors that can be used to segment markets. These factors include:

1. **Segment Factors:** These include the size of the market segment, its growth rate per year, sensitivity to price and service features, as well as external factors like cyclicalness, seasonality, and bargaining power of upstream suppliers.
2. **Competition:** This factor considers the types of competition present, the degree of concentration in the market, changes in competition types and mix, entries and exits of competitors, changes in market share, substitution by new technology, and the degree and type of integration among competitors.
3. **Financial and Economic Factors:** This category examines contribution margins, capacity utilization, leveraging factors such as experience and economies of scale, barriers to entry or exit in the market.
4. **Technological Factors:** These factors assess the maturity and volatility of technology, complexity, differentiation, presence of patents and copyrights, and manufacturing processes in the market.
5. **Socio-political Factors:** This includes social attitudes and trends, laws and government agency regulations, influence with pressure groups and government representatives, as well as human factors like unionization and community acceptance.

Considering these factors allows organizations to gain insights into the market, understand competition dynamics, evaluate financial and economic conditions, assess technological advancements, and consider socio-political influences. By segmenting the market based on these factors, organizations can make more informed strategic decisions and tailor their marketing efforts to specific segments for better outcomes.

# FEASIBILITY CHECK FOR SEGMENTATION

In order to specify the ideal target segment, several criteria need to be considered:

1. **Homogeneity:** The segment must consist of similar individuals who share common characteristics.
2. **Distinctiveness:** The segment should be different from other segments, with members having unique traits and preferences.
3. **Size:** The segment should be large enough to justify the investment required for customized marketing efforts.
4. **Alignment with Organizational Strengths:** The organization must possess the capabilities to effectively meet the needs of the segment.
5. **Identifiability:** It should be possible to identify members of the segment in the marketplace.
6. **Reachability:** The organization must have a means of communicating and connecting with the members of the segment to deliver the customized marketing mix.

By considering these criteria, organizations can identify an ideal target segment that is homogeneous, distinct, large enough, aligned with their strengths, identifiable, and reachable. This allows them to focus their marketing efforts on a specific group of consumers and tailor their strategies to effectively meet their needs.

## CRITERIA FOR SEGMENTATION

1. GEOGRAPHICAL SEGMENTATION
2. SOCIO-DEMOGRAPHIC SEGMENTATION
3. PSYCHOGRAPHIC SEGMENTATION
4. BEHAVIOURAL SEGMENTATION

## SAMPLE –SIZE

Various studies have provided recommendations for sample size. Formann suggests a sample size of at least  $2p$  (or better, five times  $2p$ ) for goodness-of-fit testing using binary variables in latent class analysis. Qiu and Joe recommend a sample size of  $10 \cdot p \cdot k$  (where  $p$  is the number of segmentation variables and  $k$  is the number of segments) for constructing artificial data sets to study clustering algorithms. Dolnicar et al. conducted simulation studies and found that sample size affects the correctness of segment recovery, with higher sample sizes leading to better alignment between the true segment solution and the extracted one. The adjusted Rand index is used to measure the correctness of segment recovery, with higher values indicating better alignment. Increasing the sample size improves the algorithm's ability to identify the correct market segmentation solution.