


Market Segmentation

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Market segmentation – the bedrock of successful marketing

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Design and setting by P.K. McBride

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Market segmentation – the bedrock of successful marketing

Summary

This chapter contains a brief review of the state of marketing. It provides some key observations on why it has today lost much of its influence in the corporate world, in spite of all our best efforts. A model outlines what marketing should actually entail if it is to regain its rightful place at the heart of organizational strategy-making. At the core of this model of best practice is market segmentation.

It is the failure to get to grips with market segmentation that lies at the heart of much of marketing's current malaise. This emphasizes the pivotal importance of this book, since little of what is best in marketing theory and practice works without correct market segmentation.

Before starting any project, let alone one as strategically critical as market segmentation, it is important to know where you are heading and what the route map looks like. A clear-cut case is presented for the particular methodology to adopt, along with an overview of the process this methodology requires you to follow. Details of the process form the main content of this book.

This chapter is organized as follows:

- A review of marketing
- A definition of 'marketing' and what it actually entails
- The central role of defining markets and segments, and understanding value
- A review of different approaches to market segmentation and why the customer's perspective defines the approach that delivers the best results
- A summary of the two phases and seven steps in the segmentation process
- The importance of setting marketing objectives for segments and implementing appropriate strategies
- A review of the chapter.

■ Perception is everything

There are two principal determinants of whether or not market segmentation is acknowledged as the bedrock of successful marketing:

- The perceived importance by senior management of marketing's contribution to corporate strategy
- The perceived importance by marketing of market segmentation's contribution to marketing strategy.

The first of these depends on the state of marketing in the organization, with the second dependent on marketing's approach to segmentation.

■ The state of marketing

In numerous companies around the world, dedicated, professional marketers are making major contributions to the financial success of their companies. They achieve this through their detailed understanding of the markets they are in, in-depth insights into the needs of their customers¹ and the development and delivery of carefully targeted value propositions. Yet, in spite of these shining stars, the future does not look good for the marketing discipline.

McDonald (2003) in a review of the record of marketing practitioners, consultants and academics over the preceding 20 years sadly concluded that marketing as an organizational function had been relegated from the position of a core strategy-making engine to a marginalized sales support department, in charge of T-shirts and promotion. To instigate a recovery in marketing and revitalize this key source of competitive power, McDonald went on to recommend that it was essential the marketing function re-established its central role in strategy-making.

Kotler (2003) was also of the same opinion and described marketing as having declined from responsibility for the four 'Ps', product, price, promotion and place (distribution), to responsibility for only one 'P', promotion. As for how marketers could regain influence and status in their organizations, Kotler, like McDonald, also suggested that marketing needed to be a driver of business strategy.

1 For the purposes of the current discussion we will subsume those who decide which product or service will be bought under the title of 'customer', though, quite clearly, for some companies they will be referred to as 'consumers'. We discuss the difference between 'customers' and 'consumers' in Chapter 4.

Chapter extract

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