


Market Segmentation

14

Organizational issues in market segmentation

Contents

Segmentation as a company exercise	438
Support from the chief executive and top management	438
Size and diversity	439
Planning for the segmentation process	446
Line management support	447
Integrating the segmentation process into a marketing planning system and into a total corporate planning system	449
Cross-functional involvement	450
Successful implementation of segmented marketing	451
Strategic integration through the mission statement	452
Managerial integration	454
Tactical integration	454
Bringing segments to life	455
Reference	457

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Design and setting by P.K. McBride

14

Organizational issues in market segmentation

Summary

The structuring of markets into clearly defined segments is undoubtedly a key input into the company's marketing plan. Segmentation not only identifies the customer groups your company should focus its resources on, but also, through the detailed analysis required in a professionally conducted segmentation process, identifies vitally important elements of a successful marketing strategy. Having an organization which is both supportive of the process and supportive of carrying through the findings into the marketplace is therefore crucial.

The purpose of this chapter is to raise and discuss the organizational issues associated with segmentation, many of which need to be addressed at the very early stages of a segmentation project.

This chapter is organized as follows:

- The vital role of the chief executive and top management
- How the need for formalized marketing procedures are related to company size and diversity of operations
- Issues to take into account when planning for the segmentation process
- A further look at the issues relating to line management and gaining their support
- The importance of integrating the segmentation process into a marketing planning system and, in turn, into a total corporate planning system
- Why an inclusive, cross-functional approach to segmentation produces the best results
- The importance of organizing the company's activities around segments
- Further considerations with respect to integrating the selected segments into the organization at the strategic level
- A brief discussion about management information systems and their support for the selected segments
- Supporting a segmentation strategy with effective marketing tactics
- A suggestion on how to bring segments to life within the organization and help win the support and enthusiasm of staff
- A review of the chapter.

■ Segmentation as a company exercise

Marketing's contribution to business success in manufacturing, the provision of services, distribution or retailing activities lies in:

- A commitment to detailed analysis of future opportunities to meet customer needs
- A wholly professional approach to selling to well-defined market segments those products or services that deliver the sought-after benefits.

Achieving revenue budgets and sales forecasts are a function of how good our intelligence services are, how well suited our strategies are, and how well we are led.

■ Support from the chief executive and top management

Marketing insight

There can be no doubt that unless the chief executive sees the need for a segmentation review, understands the process, and shows an active interest in it, it is virtually impossible for a senior functional marketing executive to implement the conclusions in a meaningful way.

This is particularly so in companies that are organized on the basis of divisional management, for which the marketing executive has no profit responsibility and in which he or she has no line management authority. In such cases, it is comparatively easy for senior operational managers to create 'political' difficulties, the most serious of which is just to ignore the new segments and their requirements entirely.

The vital role that the chief executive and top management must play in segmentation underlines one of the key points in this chapter: that it is people who make systems work, and that system design and implementation have to take account of the 'personality' of both the organization and the people involved, and that these are different in all organizations.

One of the most striking features we have observed is the difference in 'personalities' between companies, and the fact that within any one company there is a marked similarity between the attitudes of executives. These attitudes vary from the impersonal, autocratic kind at one extreme to the highly personal, participative kind at the other.

Any system, therefore, has to be designed around the people who have to make it work, and has to take account of the prevailing traditions, attitudes, skills, resource availability and organizational constraints.

Chapter extract

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