


Market Segmentation

4

Determining the scope of a segmentation project

Contents

Geographic scope	72
Defining markets	73
Developing the market definition	74
Whose needs are being defined?	83
Ensuring the definition is meaningful to your company	87
Markets and strategic business units	91
Defining markets – conclusions	92
Sizing the specified market	94
Further examples	99
Exercises	100
Reference	104

 Published by Goodfellow Publishers Limited, Woodeaton, Oxford, OX3 9TJ
<http://www.goodfellowpublishers.com>

Copyright © Goodfellow Publishers 2010

All rights reserved by Goodfellow Publishers Limited. The text of this publication, or any part thereof, may not be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, storage in an information retrieval system, or otherwise, without prior permission of the publisher.



Design and setting by P.K. McBride

4

Determining the scope of a segmentation project

Summary

This chapter looks at the most crucial and complex issue in marketing, namely, how a market is defined. Until this is clearly understood, issues such as market share, the identification of target customers and their needs, and even the recognition of competitors, will continually cause difficulty. It is the essential first step of your segmentation project, as illustrated in Figure 4.1.

Stage 1: Your market and how it works

Step 1: Defining the 'market' The scope of the project

Figure 4.1: The segmentation process – Step 1

Although it is not an unfamiliar term, it is important to note what we mean when we use the term 'market'. A 'market' refers to a particular need that customers are seeking to satisfy. It is not product or service specific, and is looked at from the customer's perspective clearly describing what the customer intends the product or service to do for them. Defining a market this way ensures you consider all the competing products and services that are capable of satisfying a particular need.

This chapter is organized as follows:

- A discussion about the geographic scope
- Using the needs-based approach to define the market being segmented
- The difference between wants and needs
- Care in using products and product categories to define markets
- Striking a meaningful balance between a wide definition and a narrow definition
- Using distinct price bands and different end-uses or applications of the product to make projects more manageable
- A discussion about whose needs are being defined
- The difference between customers and consumers
- Making the market definition appropriate to your company and its capabilities

- Allowing for limitations imposed by corporate structure
- Sizing the market being segmented
- A review of this step in the segmentation process
- Background to the case study being used to illustrate Steps 1 to 5 of the segmentation process, the definition of its market and further examples
- Exercises further to help you determine the scope of your project.

■ Geographic scope

A segmentation project clearly requires a geographic boundary as this will enable the project team to size the market, identify the localities in which the market dynamics have to be understood and, once the segments have been identified, develop the appropriate marketing objectives and strategies for those localities. This can be as much of an issue for local companies as for global companies.

Keeping the project within the borders of a single country is a manageable starting point because the stage of market development, the available routes to market and the pattern of marketing activity will probably be the same throughout the country. Even this, however, may be too extensive for some companies, simply because their geographic reach is limited by physical and/or economic considerations, or even because their appeal has a strong local sentiment attached to it. For example, a local medical practice will find it difficult to offer an effective service beyond a certain distance, a regional distribution company will find it difficult to provide a viable home delivery service around the country and in Chapter 2 we saw how a privately-owned brewery struggled to 'export' its product to other localities because its beer had a strong 'local' appeal.

For companies trading in numerous countries around the world there is clearly an enormous attraction in finding a single global segmentation model that can be applied to every country. However, the experience of 'globalization' has highlighted for many of these companies that they have to 'act local' in order to succeed in their market. This does not mean that every country is completely unique in respect of the segments found within it. What the international company may find is that the global picture for their market can be captured by one of the following:

- 1 To all intents and purposes there is a single global segmentation model which at the local level simply requires a series of small

Chapter extract

**To buy the full file, and for copyright
information, click here**

[http://www.goodfellowpublishers.com/academic-publishing.php?promoCode=&partnerID=&content=story&st](http://www.goodfellowpublishers.com/academic-publishing.php?promoCode=&partnerID=&content=story&storyID=237)

[oryID=237](http://www.goodfellowpublishers.com/academic-publishing.php?promoCode=&partnerID=&content=story&storyID=237)



All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recorded or otherwise, without the written permission of Goodfellow Publishers Ltd

All requests should be sent in the first instance to

rights@goodfellowpublishers.com

www.goodfellowpublishers.com