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David W. Nylen  
August 16, 2010

## B.2 Segmentation Evaluation

### CRITERIA FOR EVALUATING SEGMENTS

Segment evaluation is the final step in the market segmentation process (see GLOSSARY entry B.3). In the market segmentation process, the total market for a product is subdivided into groups of consumers who are homogeneous in their response to a particular marketing mix. The dimension along which a market is subdivided is termed the **segmentation base**. A wide variety of segmentation bases is available, including demographics, social class, life style, product usage, product perceptions, and benefits desired. These and other segmentation bases are explained in GLOSSARY entry B.3.

After a segmentation base has been chosen and applied to the market, the resulting segments must be evaluated to determine if they will be effective and usable. If they receive favorable evaluation, the decision-making process proceeds to **target market selection** (GLOSSARY entry B.4), **positioning** of the product (GLOSSARY entry B.1), and developing a **marketing mix** (GLOSSARY entry C.16) that will meet the needs of the target segment. If the evaluation of the segments indicates that they are not usable, the market segmentation process is repeated to develop an alternative segmentation approach. Failure of a segmentation process to yield effective segments could mean that the market was not defined correctly, that the wrong segmentation base was used, or that the market does not lend itself to segmentation.

Four criteria are used to evaluate the effectiveness of market segments.<sup>1</sup> They are

<sup>1</sup>Criteria for the evaluation of segment effectiveness appear in a variety of forms and in a variety of textbooks and articles, but the original source is not clear. An early discussion is found in Ronald Frank, William Massy, and Yoram Wind, *Market Segmentation* (Englewood Cliffs, N.J.: Prentice Hall, 1972). See pp. 27-28 and chaps. 7 and 8.

presented below and summarized in Figure B.2-1.

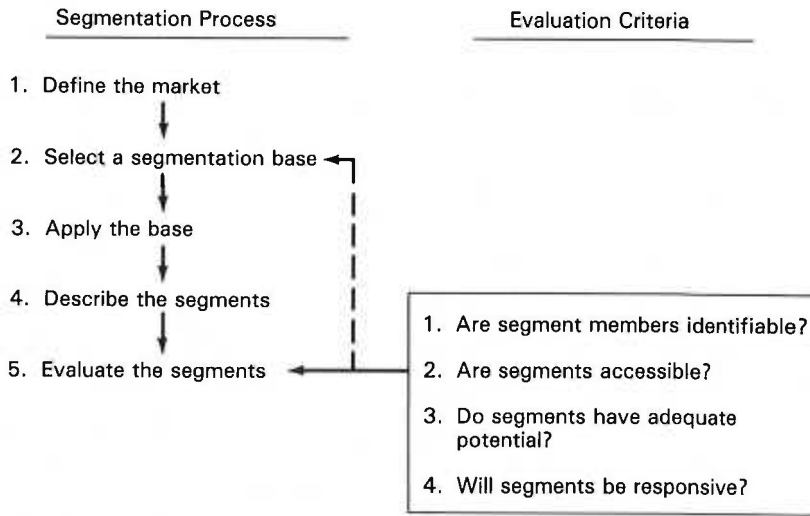
**Criterion 1: Are Segment Members Identifiable?** It is important that the segmentation base permit the marketer to identify in what segment a consumer belongs. For example, if the segmentation base were a demographic one such as segmentation by age, the age ranges of consumers could easily be determined, permitting placement of each consumer in the appropriate segment. Segmentation by personality, by contrast, does not provide an easily identifiable dimension. A consumer's personality type is not readily observable and cannot be readily determined by survey. As a result it would be difficult to determine in what personality segment a particular consumer should be placed.

Why is it important to be able to identify segment members? First, if it is not possible to determine in what segment consumers belong, it will not be possible to measure the segments to determine their size. Knowledge of relative segment size is important because it is one of the criteria by which the target market is selected (see GLOSSARY entry B.4). Knowing the absolute size of the segments is also important in determining whether or not the segments are large enough to warrant separate marketing efforts. This is the subject of criterion 3.

**Criterion 2: Are the Segments Accessible?** The purpose of the segmentation effort is to identify consumer groups with different needs and deliver customized marketing mixes to them. In order to do this, the segments must be accessible. It must be possible to reach each segment separately with customized marketing efforts.

Segments must be accessible in two ways: through distribution and through advertis-

**G-118** SECTION B / POSITIONING CONCEPTS



**FIGURE B.2-1**  
Criteria for Segment Evaluation

ing media. If members of a segment have distinctive shopping habits, tending to frequent certain types of stores, they would be accessible through those outlets. One of the strengths of segmentation by social class is thought to be the tendency of members of a social class to shop in stores where the clientele is of the same social class. To the extent that this is true, social class members would be separately accessible by distributing through stores catering to the target social class.

In the same way, if members of a segment have distinctive media viewing, listening, or reading habits, it would be possible to reach them separately through advertising. Social classes, for example, have somewhat different media habits. Upper classes read more and view less television than lower classes. As another example, the youth subculture views less television than average, but listens to radio much more than average, while black and Hispanic subcultures have specialized media that directly target them. These segments would be separately accessible through the media.

It has been stressed that segment members should be "separately" accessible. It is also possible for segment members to be ac-

cessible through self-selection. A newspaper advertisement headlined "Attention Cigar Smokers" would receive its greatest readership from cigar smokers through self-selection. However, this is an uneconomical and production-oriented approach since the advertiser is paying for advertising space that covers almost everyone, but is relevant to only a few. The same can be said for placing specialized products in mass distribution outlets like supermarkets and relying on the few interested consumers to seek out the product. Segments are more effective if segment members are separately accessible.

**Criterion 3: Do the Segments Have Adequate Potential?** The potential target markets that result from the segmentation process must be large enough to support a separate, customized marketing mix. Developing separate, customized marketing mixes raises costs. If the target segment is small, there will be insufficient economies of scale and other **experience curve** effects to offset the cost increases and insufficient volume over which to spread development costs.

To apply this third criterion requires that current sales by segment be estimated and a forecast made of future sales by segment. If

the segments prove to be too small to support a separate marketing mix, it may mean one of two things. It may mean that the total market is too small to be subdivided. This would suggest either that the total market be addressed with a single, generic marketing mix or that the market be abandoned as lacking potential. The other possibility is that segmentation has been too narrow, resulting in too many segments. In this case, an attempt might be made to combine similar segments. The segment effectiveness criteria should then be reapplied to the new configuration.

**Criterion 4: Will the Segments Be Responsive?** The responsiveness criterion is the most important and the most difficult one to fulfill. For segments to be viable, it must be possible to develop a separate marketing mix for a target segment and the target segment must respond to that offering more positively than it would to a generic offering to the total market. The central purpose of segmenting the market is to locate subgroups of the market and more fully satisfy their needs. If it is not possible to develop a marketing mix that offers superior satisfaction, then the segmentation is not effective.

What conditions lead to segment responsiveness? First, the basis for segmentation needs to be causal. Causal segmentation bases provide superior direction to the development of marketing mixes, indicating the conditions that the offering must fulfill in order to gain target consumer response (purchase). If, for example, benefit segmentation, a causal base, is used, the benefits that must be delivered by the marketing mix in order to satisfy target consumers will be defined for each segment. Second, members within a segment must be reasonably similar to each other in the causal dimensions. If benefit segmentation is used, then members within each segment must be seeking reasonably similar benefits. If they are not alike, then no one marketing mix can be designed that will satisfy all of them. Finally, members of one segment should be unlike members of the other segments. If benefits are the base, the benefits sought by one segment

should be different from those sought by consumers in other segments. If everyone in the market seeks the same benefits, then there is no basis for segmenting the market. More generally, if the segmentation approach has not resulted in heterogeneity between subgroups, then there is no need for separate marketing mixes.

### APPLICATION OF THE SEGMENT EVALUATION CRITERIA TO MARKETING DECISION MAKING

The criteria for evaluating segmentation effectiveness are used to carry out step 5 of the market segmentation process. They can also be used to help choose a promising segmentation base at step 2 of the process.

**Evaluation of Segment Viability.** By step 5 in the market segmentation process, a segmentation base has been selected, applied to a defined market and the resulting segments described (see GLOSSARY entry B.3). Step 5 requires that the resulting segments be measured against the four effectiveness criteria that have been presented above.

- **Identifiable.** Step 4 in the market segmentation process is to describe the segments. The identifiability of consumers by segment can be evaluated by examining the results of this description step. If it was found technically and economically feasible to describe the members of the segment, then the segments can be judged to be identifiable. In general, descriptive segmentation bases such as demographics result in more easily identifiable segments than do the more abstract causal bases such as product perceptions or benefits desired. If a segmentation research study is undertaken as part of the segmentation process, as described in GLOSSARY entry B.3, a major result of the research is identification of the consumers in each segment.
- **Accessible.** If appropriate descriptive information has been gathered, it will also be possible to evaluate the accessibility of the segments from the results of the describe-the-segments step of the segmentation process. If not, the information must be separately gathered. The information most important for determining

FIGURE B.2-2  
 Characteristics of Segmentation Bases

BASE	CRITERIA			
	Identifiable	Accessible	Potential	Responsive
Demographic	strength	strength	Dependent on market definition and number of segments defined	weakness
Social class	strength	strength		neutral
Personality	weakness	weakness		weakness
Life style	strength	strength		strength
Self-concept	weakness	strength		strength
Brand loyalty	strength	weakness		weakness
Volume of usage	strength	weakness		neutral
Attitudes	neutral	weakness		strength
Product perceptions	neutral	weakness		strength
Benefits	neutral	weakness		strength
Usage situation	neutral	weakness	strength	

accessibility are the media habits of the consumers and their shopping (**store choice**) behavior. If it is found that consumers have distinctive media usage and store selection patterns by segment, the accessibility criterion is probably satisfied. The accessibility criterion is more easily met by industrial segments than consumer segments since there are many highly focused industry periodicals and many specialized middlemen who call on industrial buyers. Consumer marketers are often forced to rely heavily on consumer self-selection.

- *Adequate Potential.* A segment is of adequate size if a separate marketing mix can profitably be directed to it. Determining potential profitability of a segment requires two estimates. First, the size and growth rate of the segment must be estimated. This calls for application of sales forecasting techniques (see GLOSSARY entry A.16). Second, the development and operating costs that would result from directing a marketing mix to a target segment must be estimated. With these estimates, potential segment profitability can be projected.
- *Responsive.* A final answer to the responsiveness criterion is difficult without testing a proposed marketing mix in the market place. However, as a first step, marketers often at-

tempt to design a marketing mix customized to the needs of a target segment. Inability to design the marketing program would indicate that the segment was not responsive in terms of the segmentation dimensions.

*Evaluation of Segmentation Bases.* The segmentation evaluation criteria can also be used to guide selection of a segmentation base at step 2 of the market segmentation process. Selection of a segmentation base depends in large measure on the product category, consumer characteristics, and data availability. However, some rough generalizations can be offered about the characteristics of commonly used segmentation bases that are described in GLOSSARY entry B.3. These characteristics are summarized in Figure B.2-2.

#### SUGGESTION FOR FURTHER READING

FRANK, RONALD, WILLIAM MASSY, and YORAM WIND. *Market Segmentation*. Englewood Cliffs, N.J.: Prentice Hall, 1972.