Market Segmentation Strategies:
Analysis, Practice, and Marketing Implications

Ashford C. Chea
Benedict College

The article's purpose has been to conduct a thorough and analytical review of the academic literature on market segmentation and consumer behavior to unearth emerging issues and trends. The paper begins a brief background on the concept of segmentation and a presentation of the objectives of the article. This is followed by the research methodology used. Next, the article assessed the relevant theoretical framework that underpins segmentation strategies and models. Then, the paper presents a rigorous analysis and synthesis of the extant empirical literature on market segmentation. This is followed by a discussion of emerging trends and issues in the area of market segmentation derived from the literature review. Lastly, the article outlines implications for marketing managers and provides recommendations for action.

Keywords: segmentation, strategy, marketing, consumers, models, theories, practices

INTRODUCTION

The Emergence of Market Segmentation as a Strategic Tool

There are several reasons why formal recognition of market segmentation as a strategic approach is starting to emerge. One of the most essential of these is a decrease in the size of the manufacturing unit necessary in some product areas. Many industries have also created the technical know-how for product diversity by gaining release from some of the rigid requirements imposed by past paradigms for mass production. Hence, there is less requirement today for generalizing markets in response to the necessity for long production runs of identical products. The ascendancy of product competition to great economic significance has also elevated attention to market segmentation. A vast array of products competes for the buyer's dollar (Smith, 1995). Cost data is crucial because the upper limit to which market segmentation can be carried is a considerable constraint by manufacturing cost considerations. There is a limit to which diversity in market offerings can be raised without driving manufacturing costs above practical limits (Smith, 1995).

THE OBJECTIVE OF MARKET SEGMENTATION

Market segmentation analysis aims to identify where prospects are coming from. Individuals engage in observed behavior for a variety of reasons. By developing their understanding of the demand-inducing conditions that result in action, firms guide product formulation and significantly partake in the tasks and interests of prospective consumers. Market segmentation analysis is the discipline's time-tested research strategy for offering information helpful to devising, evaluating, and altering firms' product strategy and the associated communications message. It is supported by marketers' search for guidance on product strategy to efficiently allocate scarce resources to achieve an above-average return on investment. Firms' resources are utilized to their full potential in how people intend to spend their resources. For this reason, market segmentation research is directed at discovering motivational influences as they currently exist in the daily lives of management prospects. It is a matter of intuition that resources are better allocated when firms respond to pre-existing demand rather than risk resources by attempting to alter how people currently use their resources (Fennell & Allenby, 2004).

Market Segmentation in a Dynamic Environment

In today's dynamic market environment, identifying and successfully targeting distinct market segments is both a reality and a necessity. Some companies segment their markets by organizing customers into identical groups utilizing some relevant measures—and believe these different groups will react differently to their marketing strategies. Examples involve demographic measures, SIC codes, and geographic regions. However, it is well known that marketplaces are better segmented through a more data-intensive, post hoc mechanism that collects comprehensive data from a sample of the target market and utilizes it to create complex market segments deploying cluster analysis or similar algorithms. The acid test for effective market segmentation is to show that the derived segments react differently to variations in the product, price, promotion, and distribution strategies. Unfortunately, some segmentation frameworks fail this preliminary test. Since the 1950s, firms have historically employed cluster analysis and search procedures to create market segments from customers and survey data. Since the 1990s, there have been important new developments in segmentation research, many of which are analyzed in the empirical literature (Neal & Wurst, 2001).

In sum, the fundamental ideas of market segmentation are (1) market segmentation presupposes heterogeneity in customer's preferences and choices for products; (2) preference heterogeneity for products can be associated with either personal variables such as demographic characteristics, psychographics characteristics, product usage, current brand loyalties or situational variable (3) firms can respond to preference heterogeneity by altering their current product characteristics including price, distribution, and promotion; (4) firms are inspired to do so if the net payoff from altering their products exceeds what the payoff would be without such changes to their products; and (5) a company's modification of its product and marketing mix involves product line addition or deletion decisions. It also entails repositioning existing products (Green & Krieger, 1991).

OBJECTIVES

The objectives of this paper are to analyze market segmentation theories and models, define market segmentation and types of segmentation, types of buyer markets, factors that affect segmentation strategy, implementation of effective segmentation strategies, and provide marketing implications.

RESEARCH METHODOLOGY

A literature review entails searching, evaluating, analyzing, and synthesizing the most crucial and relevant issues assess in a field to spot trends and direction and to create new theoretical frameworks. In the area of market segmentation, and other social sciences, academic investigators employed three primary literature review methodologies: bibliometric reviews, meta-analysis, and systematic/integrative reviews. Bibliometric studies rigorously analyze previous studies by utilizing statistical techniques to uncover trends and citations of a specific concept by year, author, journal, and research question. Meta-analysis is a quantitative review methodology that aims to aggregate directions and impact sizes by synthesizing findings across studies, evaluating those outcomes to uncover meaningful and methodological study characteristics that result in dissimilarities in research discoveries and assessing research hypotheses deploying data-analytic tactics and strategies. Systematic reviews present a critical deliberation on a particular research issue by analyzing and synthesizing previous and current literature, summarizing extant contributions, spotting knowledge gaps, and suggesting areas for further investigations. The research methodology adopted in this article utilized the systematic literature review process since it enables the author to use a transparent procedure, allowing the researcher to collect, analyze and synthesizing the broadest perspective of research in market segmentation strategies (Adarkwah & Malonaes, 2022).

THEORIES AND MODELS

Market Segmentation Theories

Identifying consumer segments and market structures is of great significance for critical strategic issues in marketing dealing with evaluating a firm's opportunities and threats. Consumer-oriented models, commonly based on multi-attribute theories of consumer behavior, have been adopted in research on market structure and market segmentation. Those approaches offer a consumer's viewpoints of the market. This is because it is centered on the assumption that consumers buy products because of the benefits they offer. Benefit segmentation begins with the view that the benefits consumers seek in consuming a particular product are the fundamental reasons for proper market segments (Wedel & Steenkamp, 1991).

Market Segmentation Models

Normatively Based Segmentation Model--researchers have long considered strategies to aggregate customers optimally into segments. They have recommended elasticity, marginal revenues, and response function coefficients as valuable data for evaluating consumer similarities; their strategy is known as normative segmentation. The normative segmentation approach has been criticized as unrealistic by some researchers. Criticisms include inadequate allowance for managerial and institutional constraints, use of a single marketing control variable, and failure to consider the competitive external environment. Because of these flaws, classical normative segmentation has received relatively little application from industry researchers.

Industry-based segmentation Model—Researchers outline two key strategies to apply market segmentation. In a priori segmentation, the researcher selects some variable(s) of interest (e.g., buyer's age, gender, and the principal benefit sought.) and then groups customers based on that designation. In post hoc or cluster-based segmentation, the researcher selects a group of related variables (e.g., psychographic attributes and preferences for various user benefits associated with the product category). Person-by-variable scores are then clustered into person groups whose average within-group homogeneity is high and whose between-group homogeneity is low (Green & Krieger, 1991).

In a priori segmentation, the number of segments, sizes, and profiles are known in advance. In post hoc segmentation, those three attributes are known after the fact. Regarding research activity, the new approach of cluster-based segmentation has gotten considerable user attention in previous decades. In keeping with companies 'interests in detailed profiles and attributes of the segments, most commercial market segmentation studies utilize nonhierarchical partitioning methods for clustering buyers; each person appears in only one segment' (Green & Krieger, 1991).

Multidimensional scaling (MDS) models are primary tools used to visualize product positioning in marketing. However, the positioning and evaluation of market structures are not separate tasks; instead, they are usually integrated into larger frameworks such as the segmentation-targeting-positioning (STP) approach. Integrating frameworks like these, in which a company targets one or more groups of customers, product positioning analysis shows itself to be a segment-specific concept. In some cases, applying clustering and MDS to the same proximity data can lead to much greater insight data structure than either approach independently. This supports creating models incorporating measurement, segmentation, targeting, and positioning.

Regarding segmentation, there is a well-known gap between academic studies that have followed normative and rational routes and actual business practices. Research reveals that marketers evaluate market segments based on their relevance and ease of execution. Moreover, it sees the critical flaws of these methods in a firm's limited capacity to deal with the complexity of multivariate segmentation. One disadvantage of using preference mapping is that it can be very complicated to interpret (Natter et al., 2008).

EMPIRICAL LITERATURE REVIEW

Market Segmentation Defined

Market segmentation is defined as providing an extensive quality range to charge different margins to buyers with differences in marginal willingness to pay for quality. This has been studied in quality-difference models (Verboven, 1999). Cluster analysis is primarily utilized to identify segments; the objective is to uncover many identical groups that differ maximally (Agarwal, 2003). The choice situation and context influence how consumers classify attributes; it may differ from one person to another (Chung & Rao, 2003). All effective segmentation strategy shares one common denominator. That is, they maximize differences between market segments and minimize differences within each market segment in terms of interest criteria. The significance of each segmentation criterion is determined by a firm's marketing objectives and goals (Engelberg & Neubrand, 1995).

The most typical segmentation strategies use demographics, geographic, psychographic, behavioral/utilization, and benefits criteria.

- Demographic segmentation—The most straightforward segmentation strategy is demographic segmentation—grouping buyers based on homogeneity in age, race, gender, income, and education level. Demographic data is typically used for segmentation because it is the most accessible data to acquire and has many uses.
- Geographic segmentation—is specifically helpful for informing the distribution aspect of the marketing mix and media place strategies.
- Psychographic segmentation—Implementing a psychographic segmentation strategy is another way for firms to evaluate their target markets. This approach entails analyzing and evaluating the target market's values, beliefs, perceptions, and attitudes. Psychographic segmentation helps design positioning strategies, product development, and communication strategies.
- Behavioral/Utilization segmentation—employs data about buyer behaviors and choices as segmentation criteria. Many researchers believe segmentation based on actual behavior is particularly critical because it is strongly associated with marketing objectives.
- Benefits segmentation—adopting a benefits segmentation strategy is another valuable tool for marketers. This method's main criteria for segmentation are the specific benefits consumers seek from a product (Engelberg & Neubrand, 1997).

Segmentation Variables

In segmenting markets, many researchers utilize one set of variables, such as demographics, psychographics, product category-related attitudes, product usage-related behaviors, derived importance from conjoint exercises, or latent structures. However, there is no justification for restricting the basis for segmentation to a single type of variable where many criteria determine buyers' response to products in the category. These criteria are multidimensional, incorporating attitudes, needs, values, beliefs, and past experiences, depending on the product category and the buyer (Neal & Wurst, 2001).

A segmentation framework based on a single set of essential variables may have limited usefulness to the company because various users of the segmentation framework have various needs. For instance, product-development managers may be interested in the market segmented on perceived values and benefits sought; marketing communications managers may prefer market segmented into groups of buyers with identical needs, desires, or psychographic profiles; and sales managers may advocate for segmentation based on sales potential or profitability. Market segmentation supported on multiple dimensions, using different segmentation frameworks for each segment, is usually more relevant, helpful, and flexible for formulating marketing strategies and implementing marketing programs. Thus, researchers may consider various segmentations on a sample of buyers utilizing different criteria regarding product-user identities, such as performance needs, means, and desires (Neal & Wurst, 2001).

Types of Buyers (Markets)

In consumer marketing, a market segment is defined as a group of consumers with exact needs and desires. However, this definition could be more managerially helpful in specialized industrial markets. This is because situation-specific variables are typically more helpful than general customer attributes. In industrial marketing, the benefit sought depends less on the internal psychology or socioeconomic profiles and more on the external end users of the offerings. The buyer needs various products for different reasons, and in specialized industrial markets, will always purchase multiple specialist products from different sellers. For these reasons, segmenting by product benefits rather than a customer is often very useful. Such an analysis offers a unique insight into the opportunities for repositioning (Doyle & Saunders, 1985). Market segments are crucial because they represent a micro level of analysis to evaluate the heterogeneity among different types of sellers within markets and industries (Dobrev & Kim, 2006).

Factors That Affect Market Segmentation Strategies

Market segmentation consists of viewing a heterogeneous market as several smaller homogenous markets, in response to differing preferences, due to buyers' desires for more precise satisfaction of their diverse needs. Segments should be similar, sizable, responsive to marketing strategy, and stable. If these criteria are achieved, uncovering and targeting them is compelling. A large body of empirical investigations has revealed that this is the case in many markets, specifically in global markets. Research reveals that companies' market segmentation approaches are affected by four main issues: the intensity of rivalry, the fixed cost of providing an incremental product, the degree of fit, and the degree of misfit (Doraszelski & Doraszelski, 2006). Segmenting the market has two impacts. First, if a buyer's preferred product is offered, he is better off because he can purchase a product that satisfies his needs. This is called a positive aspect of market segmentation fit. Second, if the buyer's preferred product is not offered, he is worse off because he ends up with an offering that does not meet his needs. This negative aspect of market segmentation is called a misfit (Doraszelski & Doraszelski, 2006).

Developments on the demand side of the market also drive segmentation. It represents a rational and more accurate product and marketing strategies adaptation to buyers' requirements. In the economist's language, segmentation is disaggregative in its impacts and brings about the recognition of several demand schedules where only one was recognized before. Market segmentation entails viewing a heterogeneous market (one with different demands) as a number of smaller identical markets in response to diverse product preferences among market segments. It is driven by buyers' desires for more accurate satisfaction of their different needs. Like differentiation, segmentation typically entails heavy utilization of advertising and promotion. This is to create awareness and educate market segments about the availability of offerings that satisfy their needs with precision. Under this instance, prices tend to be closer to the perfectly competitive equilibrium. Market segmentation is also a merchandising approach, merchandising being used here in its technical sense as representing the adaptation of products to buyer requirements (Smith, 1995). All market segmentation strategies can be valued based on their identifiability, substantiality, accessibility, stability, actionability, and responsiveness (Schlager & Mass, 2013).

Companies are more likely to offer each market segment its preferred quality when two segments differ more regarding quality valuations and less regarding taste preferences. As the taste preference of the low-valuation segment becomes weaker, the prices of high-valuation consumers are more likely to buy the offerings targeted to the low-valuation segment. This can result in a cannibalization problem (Desai, 2001). Each segment has attributes notably unique from the others regarding demographics, psychographics, and lifestyle activities (Liu & Cui, 2001). Segmenting a market by enduring and situational involvement, for instance, can improve the effectiveness of merchandise adjacencies, point-of-purchase displays, direct mailings, and multimedia strategies. More broadly, Research suggests that marketing communication strategies need to address different involvement-based segments uniquely. Marketing stimuli can emphasize activating intrinsic personal attributes to stimulate normative involvement. It can also focus on a reduction in feelings of risk (Broderick et al., 2007).

Implementation of Effective Segmentation Strategy

Segmentation strategies are integral to a firm's marketing efforts, from initial marketing research to marketing communications. Segmentation is a practical way for marketers to understand whom they are attempting to target, what is distinct about each market segment, and how to develop, distribute, price, and promote their products accordingly. It assists firms in making wise, cost-effective decisions (Engelberg & Neubrand, 1995).

A segmentation strategy can only be effective if it isolates buyers with unique and addressable requirements. Suppose buyers are differentiated on lifestyle attributes, but lifestyle does not play a crucial role in the product category. Alternatively, the target segment cannot be accessed through sales and media channels. Finding valuable messages and media for segments that yield a positive return on segment marketing will be challenging. The analysis should assess how marketing levers work for each to allocate resources among segments successfully. For instance, to achieve segment-specific financial objectives, the analysis should address available budget, and elasticities of marketing levers, such as advertising, promotion, pricing, and overall investment costs (Wyner, 2005).

Implementing an effective segmentation strategy entails more than media, messaging, and expenditure plans. When segments are understood and communicated within the firm, they can inform daily operating decisions. For instance, a good knowledge of a segment can support decisions about new approaches to deal with segment needs and requirements with the relevant product, promotions, pricing, and distribution strategies. Effective segmentation strategy execution needs a deliberate effort to explain segmentation-strategy rationale and benefits and to offer decision support mechanisms to those who can act. Although no framework can guarantee a successful segmentation, some critical variables are apparent. The research design is essential but must be connected to practical implication steps, such as evaluating current marketing resources, effective marketing-lever utilization, and continuous application in the firm (Wyner, 2005).

In sum, an effective market segmentation implementation strategy requires (1) active support from the company's senior management; (2) buy-in to the plan by the entire firm and groups in charge for implementation and execution, including the required skills; and (3) one individual with ultimate accountability for implementation (Caragher, 2008).

EMERGING ISSUES AND TRENDS FROM THE ABOVE EMPIRICAL LITERATURE ANALYSIS

The following issues and trends emerged from the analysis of the empirical literature above. First, segmenting the market has a dual impact. The first impact is that, if a consumer's preferred product is provided, he is better off because he can purchase a product that fits his needs. This is referred to as a positive aspect of market segmentation fit. The next impact is that, if the consumer's preferred product is not available, he is worse off because he ends up with an offering that does not meet his needs. This negative aspect of market segmentation is denoted as a misfit. Also, firms' market segmentation strategies are influenced by four factors: the intensity of competition, the fixed cost of offering an additional product, the degree of fit, and the degree of misfit (Doraszelski & Doraszelski, 2006).

Second, empirical evidence shows that short-term and long-term profitability per period of customers in the early majority segment is the highest, followed by the late majority, the innovators, the early adopters, and the laggards, respectively. While a time-based segmentation strategy allows companies to identify consumers likely to buy new products sooner, a profitability-based perspective can enhance their targeting strategy and increase incomes. Moreover, marketers can make informed decisions on investments required to create new markets with better estimates of consumers' profitability from later segments (Sood & Kumar, 2017).

Third, the competitive market structure depends on consumer segments because firms may compete in different subsets of brands based on various benefits desired by different segments. Strategically, consideration of market structure about benefit segments enables a thorough investigation of the competitive structure and uncovering opportunities for (new) brands in market segments based on the underlying benefit structure (Wedel & Steenkamp, 1991).

Fourth, designing a marketing offer to the average of a market segment does not suffer from precisely the same problems as designing an offer to the average of the entire market. This is because most customers find a satisfactory product, not necessarily an optimal one. Market segmentation is a compromise between a mass-market assumption and an assumption that all customers have unique requirements that cannot be satisfied without customized products. If segmentation is executed correctly, then members of a segment will be more similar to each other than any members in another segment regarding the basis variables used (Neal, 2001).

Finally, segmenting a market by enduring and situational involvement, for example, can increase the effectiveness of merchandise adjacencies, point-of-purchase displays, direct mailings, or multimedia campaigns. Research suggests that marketing communications need to address different involvement-based segments differently. Marketing stimuli can focus on the activation of intrinsic personal characteristics to stimulate normative involvement or emphasize a reduction in feelings of risk. The findings are also relevant for relationship marketing: communication of relationship value for customers with high enduring consumer involvement vs emphasis on clarification and creditability for high-risk consumer-involvement customers (Broderick et al., 2007).

MARKETING IMPLICATIONS

Research supports that the most profitable segment is the early majority segment. This finding has implications for prospective client profiling and can assist companies in creating practical targeting approaches during new product launches. Even though the innovators and early adopters buy new products earlier than the other segments, companies may forgo handsome long-term profits if they do not invest adequately in the early majority segment. The time-based and profitability-based strategies are not mutually exclusive; marketers should employ a time-based segmentation strategy to infer profitability. Research findings also offer crucial insights into the effect of market selection on future profitability. Markets usually differ meaningfully in terms of attractiveness and heterogeneity. Thus, the differences in the ability of companies to effectively reach out to prospective customers based on their value proposition influence the overall costs and profit. Research shows a synergistic connection between attractive markets and the profitability of the early majority adopter segment (Kumar & Sood, 2017).

Companies have also become increasingly service-oriented, so marketers need strategies for market segmenting and marketing services. The successful identification of market segments is essential to the financial well-being of service-oriented firms for three main reasons. First, Research shows that firms that customize their service offerings across market segments to meet consumer preferences can charge price premiums. Second, firms that standardize their offerings by locating horizontal (i.e., cross-cultural) segments can allocate marketing resources more efficiently to reduce costs. Third, when buyers are used as the basis for uncovering market segments, the effectiveness of marketing strategies enhances (Agarwal et al., 2010).

From a managerial viewpoint, allocating marketing resources to nonoverlapping segments seems more straightforward than overlapping segments. However, the degree to which segments can be targeted is influenced by how they can be profiled with consumer descriptors. Nonoverlapping benefit segments concerning consumer memberships usually show considerable overlap in practice in consumer descriptors. This overlap in consumer descriptors is a drawback for clustering-based designs in general but has yet to stop marketers from using this design targeting when the segments in question (Wedel, 1991).

A dynamic market structure depends on consumer segments. This is because companies may compete in different subsets of product categories based on different benefits sought by different segments. Strategically, considering the market structure in relation to benefit segments provides for a thorough analysis of the competitive structure and the identification of opportunities for new products in market segments based on the primary benefit structure (Wedel & Steenkamp, 1991). A company wants to target marketing communications to a specific target within identified segments. This requires observable demographic data to uncover similar segments (Bayus & Mehta, 1995).

RECOMMENDATIONS FOR MANAGERIAL DECISION-MAKING

Market success for companies in new markets depends on the firm's ability to find valuable customers. Such discovery of the relative profitability of consumers over various adopter segments can enhance the distribution of marketing resources, especially for firms indulging in continuous innovation. The perpetual process of exploring, developing, and improving current products, technologies, and capabilities creates a steady stream of continuous innovation, enabling firms to launch successive product generations (Sood & Kumar, 2017).

Marketers often need more access to the segmentation data they most want, a limited understanding of what data would be most valuable, and limited time to analyze and use the available data. Segmentation can get very complicated quickly, but it does not have to. Clear objectives, good marketing research, and a solid knowledge of segmentation principles can help marketers take advantage of all that segmentation offers. Marketers should understand and perform segmentation techniques, mainly when there are high financial constraints and rivalry. A firm's clear direction ensures profitability (Engelberg & Neubrand, 1997).

A segmentation scheme based on more than one set of basis variables may have limited utility to the firm because various users of segmentation schemes have different needs. For example, product-development managers may want the market segmented on perceived values and benefits sought; marketing communications managers may want it divided into buyers with similar needs, desires, or psychographic profiles; and sales managers may prefer segmentation based on sales potential or profitability. Market segmentation based on multiple dimensions, using separate segmentation schemes for each, is often more valuable and flexible for planning and executing marketing strategies. Thus, firms may consider different segmentations on a sample of buyers using different bases concerning product-user identity (i.e., performance needs, means, and desires) (Neal & Wurst, 2001).

It is the obligation of those responsible for sales and marketing administration to keep the strategy mix in adjustment with market structure at any point in time and to produce in marketing strategy at least as much dynamism as is present in the market. The ability of businesses to plan in this way depends upon the maintenance of a flow of market information provided by marketing research as well as the full utilization of available techniques of cost accounting and cost analysis (Smith, 1995).

After segments have been identified, firms need to decide which segments to target and develop marketing strategies to reach them. The discrete-choice methodology enables the estimation of the total demand for the product and the market shares for each competing product. A communication and distribution plan to reach the target markets is also needed. The effectiveness of selectively reaching target markets depends on the ability of readily available demographic variables to identify the segments correctly. Moreover, even though a segment exists across market segments, the communications strategy might still need to be customized in different markets to address legal restrictions, media availability, and language differences (Agarwal, 2003).

Segment should be homogeneous, sizable, responsive to marketing efforts, and stable. If these conditions are met, identifying and targeting them is compelling. Many empirical studies have shown this is the case in many markets, particularly global ones. Globalization has promoted the similarity of consumer values, attitudes, and behavior across national borders. So, although national markets may seem to fragment, segments of consumers with homogeneous preferences expand beyond traditional geographic boundaries, which increases their scale. A significant challenge facing today's marketers is trying to identify and reach those market segments cost-effectively with products and marketing programs that address their needs. A consumer-oriented approach is critical to the success of a company segmentation strategy. Recent progress in segmentation methodology helps accurately identify profitable target segments. Those methods and the large variety of marketing data available to companies make segmentation strategies more effective than ever. Companies need to consider marketing strategies and tactics on a scale from aggregate to disaggregate. Segmentation is particularly effective Between those two extremes and will survive as a viable marketing strategy. In a changing world, segmentation strategies will remain profitable whenever advantages in scale, production, logistics, or marketing can be realized (Wedel, 2001).

Finally, to effectively allocate resources among segments, marketers should examine how marketing levers work for each. For example, to achieve segment-specific financial goals, the marketers should address the overall available budget, elasticities of marketing levers (such as advertising, promotion, and pricing), and overall investment cost. Although no recipe can guarantee a successful segmentation, some key variables are apparent. The research design is critical but must be connected to practical implementation steps: current marketing asset evaluation, effective marketing-lever deployment, and ongoing organizational application (Wyner, 2005).

CONCLUDING REMARKS

Market segmentation and the evaluation of segments are crucial to strategic market planning efforts, including marketing opportunity analysis, target market selection, and marketing mix strategy. Market segmentation contains predictive power in two ways. When market segments are tracked in terms of size, one can determine and then predict whether segments are growing or declining. This is very crucial for the allocation of marketing resources. Furthermore, a well-implemented segmentation framework should generate scoring models that enable one to predict segment membership. The strategic application of new and different bases for creating market segments can offer the opportunity for competitive advantage. That is, if a company can address its markets by way of a creative new vision of how that market is structured and functions and can identify the needs and preferences of the segments therein, then it has the opportunity to act on that vision to improve its profit. Choosing the appropriate basis for segmentation is often subjective and creative. However, so are some aspects of marketing. SWOT analysis is not helpful for just market segmentation. Once a market is segmented, it is appropriate to perform a SWOT analysis segment by segment to uncover the most attractive target markets. This notion of choosing target markets is pivotal to efficiency and effectiveness. It is also central to developing an effective marketing strategy (Neal, 2001).

After the different segments are identified, the firm must assess the opportunities they provide. A product-based segmentation typically makes it easier to quantify the size and growth rates of the segments. The assessment of competitors' goals, strategies, and capabilities is more challenging, which will determine their capacity to protect their segment positions. In specialty markets, it is typical to see some segments dominated by more aggressive rivals than others. Researchers highlight segment choice as deciding which strategic group to compete against. Finally, the company will have to match the operating needs of alternative segments with its own technical and marketing resources. The number of segments the companies will compete in is influenced by its overall share goals, the agility of its manufacturing capacity, and the heterogeneity of the buyer's needs and product specifications (Doyle & Saunders, 1985).

Whichever segmentation approach is employed, the researcher must relate any market partitioning to the companies' marketing strategy and marketing mix. This is done in two phases. First, the researcher ascertains how the segments are unique concerning product characteristics, preferences, or other issues of the products that relate to consumer choice. Second, the researcher considers the implications of preference heterogeneity for (1) modifying the companies' existing products, (2) reaching chosen segments, and (3) assessing whether the intended changes are profitable. These analyses are challenging. This is because the redesign of products and the advertising strategies associated with those products must be done in the context of competitive suppliers. Rivals may possess similar market intelligence (Green & Krieger, 1991).

Finally, the marketing environment has become competitive to the degree that requires companies to target their offerings at markets that span national boundaries. However, competitive advantage can only be gained in the consumer markets if companies holistically understand and adequately address those buyers' core values and needs (Hofstede et al., 1999).

REFERENCES

Adarkwah, G.F., & Malonaes, T.P. (2022). Firm-specific advantages: A comprehensive review with a focus on emerging markets. *Asia Pacific Journal of Management*, *39*(1), 539–585. https://doi.org/10.1007/s10490-020-09737-7.

Agarwal, J., Malhotra, N.K., & Bolton, R.N. (2010). A cross-national and cross-cultural approach to global market segmentation: An application using consumers' perceived service quality. *Journal of International Marketing*, *18*(3), 18–40.

Agarwal, M.K. (2003). Developing global segments and forecasting market share: A simultaneous approach using survey data. *Journal of International Marketing*, *11*(4), 56–80.

Bayus, B.L., & Metha, R. (1995, November). A segmentation model for the targeted marketing of consumer durables. *Journal of Marketing*, *39*, 463–469.

Broderick, A., Greenley, G.E., & Mueller, R.D. (2007). The behavioral homogeneity evaluation framework: Multi-level evaluations of consumer involvement in international segmentation. *Journal of International Business Studies*, *38*(1), 746–763.

Caragher, J.M. (2008). Expand your horizons: Niche marketing success stories. *Journal of Accountancy*, *205*(4), 56–59.

Chung, J., & Rao, V.R. (2003, May). A general choice model for bundles with multiple-category products: Application to market segmentation and optimal pricing for bundles. *Journal of Marketing Research*, *40*, 115–130.

Desai, P.S. (2001). Quality segmentation in spatial markets: When does cannibalization affect product line design? *Marketing Science*, *20*(3), 265–283.

Dobrev, S.D., & Kim, T. (2006). Positioning among organizations in a population: Moves between market segments and the evolution of industry structure. *Administrative Science Quarterly*, *51*, 230–261.

Doraszelski, U., & Draganska, M. (2006). Market segmentation strategies of multiproduct firms. *The Journal of Industrial Economics*, *54*(1), 125–149.

Doyle, P., & Saunders, J. (1985). Market segmentation and positioning in specialized industrial markets. *Journal of Marketing*, *49*(2), 24–32. DOI: 10.2307/1251562

Engelberg, M., & Neubrand, S. (1997, Summer). Building sensible segmentation strategies in managed care settings. *Marketing Health Services*, pp. 50–51.

Fennell, G., & Allenby, G.M. (2004, Winter). Market definition, market segmentation, and brand positioning create a powerful combination: An integrated approach. *Marketing Research*, pp. 28–34.

Green, P.E., & Krieger, A.M. (1991, October). Segmenting markets with conjoint analysis. *Journal of Marketing*, *55*, 20–31.

Hofstede, F.T., Steenkamp, J.E.M., & Wedel, M. (1999, February). International market segmentation based on consumer-product relations. *Journal of Marketing Research*, *36*, 1–17.

Kuman, V., & Sood, A. (2017, December). Analyzing client profitability across diffusion segments for continuous innovation. *Journal of Marketing Research*, pp. 932–951. http://dx.doi.org/10.1509/jmr.160209.

Liu, Q., & Cui, G. (2001). Executive insights: Emerging market segments in a transitional economy: A study of urban consumers in China. *Journal of International Marketing*, *9*(1), 84–106.

Natter, M., Mild, A., Wagner, U., & Taudes, A. (2008). Planning new tariffs at tele.ring: The application and impact of an integrated segmentation, targeting, and positioning tool. *Marketing Science*, *27*(4), 600–609. DOI: 10.1287/mks.1070.0307

Neal, W.D. (2001). Segmentation as a business strategy does work. *Marketing Research*, *13*(2), 45–47.

Neal, W.D., & Wurst, J. (2001). Advances in market segmentation. *Marketing Research*, *13*(1), 14–18.

Schlager, T., & Mass, P. (2013). Fitting international segmentation for emerging markets: Conceptual development and empirical illustration. *Journal of International Marketing*, *21*(2), 39–61.

Smith, W.R. (1995). Product differentiation and market segmentation as alternative marketing strategies. *Marketing Management*, *4*(3), 63–65.

Steenkamp, J.E.M., & Wedel, M. (1991). Segmenting retail markets on store image using a consumer-based methodology. *Journal of Retailing*, *67*(3), 300–320.

Verboven, F. (1999). Product line rivalry and market segmentation—with an application to automobile optional engine pricing. *The Journal of Industrial Economics*, *47*(4), 399–425.

Wedel, M. (2001). Is segmentation history? *Marketing Research*, *13*(4), 26–29.

Wedel, M., & Steenkamp, J.E.M. (1991, November). A clusterwise regression method for simultaneous fuzzy market structuring and benefit segmentation. *Journal of Marketing Research*, *28*, 385–396.

Wyner, G.A. (2005, Winter). Segmentation value chain: Successful segmentation is based on Research and depends on marketing execution. *Marketing Research*, pp. 6–7.