

7. Target Market Selection

Target marketing tailors a marketing mix for one or more segments identified by [market segmentation](#). Target marketing contrasts with mass marketing, which offers a single product to the entire market.

Two important factors to consider when selecting a target market segment are the attractiveness of the segment and the fit between the segment and the firm's objectives, resources, and capabilities.

Attractiveness of a Market Segment

The following are some examples of aspects that should be considered when evaluating the attractiveness of a market segment:

- Size of the segment (number of customers and/or number of units)
- Growth rate of the segment
- Competition in the segment
- Brand loyalty of existing customers in the segment
- Attainable market share given promotional budget and competitors' expenditures
- Required market share to break even
- Sales potential for the firm in the segment
- Expected profit margins in the segment

Market research and analysis is instrumental in obtaining this information. For example, buyer intentions, sales force estimates, test marketing, and statistical demand analysis are useful for determining sales potential. The impact of applicable micro-environmental and macro-environmental variables on the market segment should be considered.

Note that larger segments are not necessarily the most profitable to target since they likely will have more competition. It may be more profitable to serve one or more smaller segments that have little competition. On the other hand, if the firm can develop a competitive advantage, for example, via patent protection, it may find it profitable to pursue a larger market segment.

Suitability of Market Segments to the Firm

Market segments also should be evaluated according to how they fit the firm's objectives, resources, and capabilities. Some aspects of fit include:

- Whether the firm can offer superior value to the customers in the segment
- The impact of serving the segment on the firm's image
- Access to distribution channels required to serve the segment
- The firm's resources vs. capital investment required to serve the segment

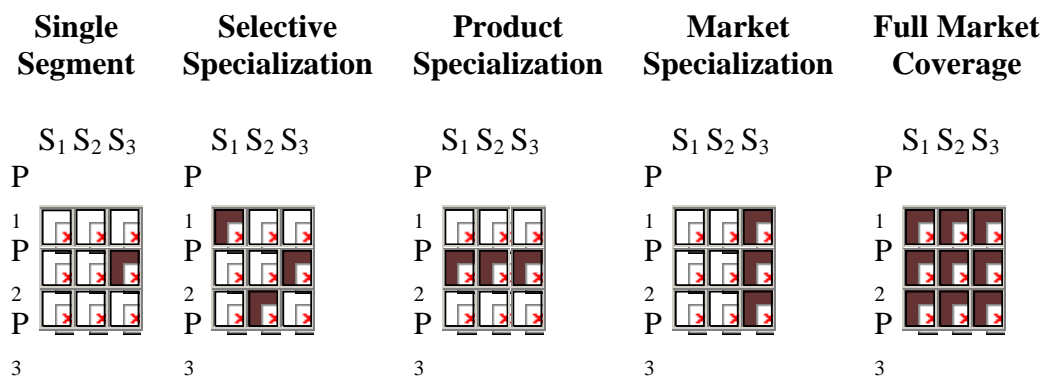
The better the firm's fit to a market segment, and the more attractive the market segment, the greater the profit potential to the firm.

Target Market Strategies

There are several different target-market strategies that may be followed. Targeting strategies usually can be categorized as one of the following:

- **Single-segment** strategy - also known as a concentrated strategy. One market segment (not the entire market) is served with one marketing mix. A single-segment approach often is the strategy of choice for smaller companies with limited resources.
- **Selective specialization**- this is a multiple-segment strategy, also known as a differentiated strategy. Different marketing mixes are offered to different segments. The product itself may or may not be different - in many cases only the promotional message or distribution channels vary.
- **Product specialization**- the firm specializes in a particular product and tailors it to different market segments.
- **Market specialization**- the firm specializes in serving a particular market segment and offers that segment an array of different products.
- **Full market coverage** - the firm attempts to serve the entire market. This coverage can be achieved by means of either a mass market strategy in which a single undifferentiated marketing mix is offered to the entire market, or by a differentiated strategy in which a separate marketing mix is offered to each segment.

The following diagrams show examples of the five market selection patterns given three market segments $S_1, S_2,$ and $S_3,$ and three products $P_1, P_2,$ and $P_3.$



A firm that is seeking to enter a market and grow should first target the most attractive segment that matches its capabilities. Once it gains a foothold, it can expand by pursuing a product specialization strategy, tailoring the product for different segments, or by pursuing a market specialization strategy and offering new products to its existing market segment.

Another strategy whose use is increasing is **individual marketing**, in which the marketing mix is tailored on an individual consumer basis. While in the past impractical, individual marketing is becoming more viable thanks to advances in technology.