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### Justification of consumer market segmentation as a mandatory tool of strategic marketing

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Victor Rozhko

# JUSTIFICATION OF CONSUMER MARKET SEGMENTATION AS A MANDATORY TOOL OF STRATEGIC MARKETING

*The object of research is the theoretical aspects of consumer market segmentation and its role in strategic marketing. Ukrainian enterprises try to use and carry out various measures to increase the competitiveness of products, actively using methods of internal planning and management based on the principles of strategic marketing. One of the tools for developing a marketing plan in strategic marketing is segmentation.*

*However, the content of strategic marketing is debatable; there is no unambiguous comprehensive approach, according to which consumer market segmentation is carried out. Thus, the development of methodological principles of segmentation of the consumer market, as a mandatory tool of strategic marketing, is an objective and urgent necessity. This determines the topic of this study.*

*The work highlights the features of segmentation of the consumer market. It is emphasized that in modern conditions the segmentation of the consumer market is a mandatory tool of strategic marketing. The principles that must be used in order to segment the consumer market are proposed. Researched that segmentation of the consumer market should be carried out according to the following characteristics: geographical, industry, functional purpose of products, importance of consumers, forms of ownership. Stages of segmentation of the enterprise's consumer market have been developed. A number of measures in strategic marketing are proposed, which will allow a comprehensive approach to the development of the company's marketing plan, namely: development of a drink different from those presented on the market; development of an effective advertising campaign, which will be directed to a certain group of consumers; it is recommended to pay special attention to the development of the product name.*

**Keywords:** strategic marketing, marketing plan, segmentation criterion, consumer market, stages of segmentation.

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## 1. Introduction

Segmentation of the consumer market is one of the most important tools of strategic marketing, since the competitiveness and profitability of the enterprise depends on a well-defined segment. The main goal of segmentation of the consumer market is not only the identification of special groups in the market with characteristic features, but also the search for such groups that make targeted requirements for a product or service that are significantly different from the requirements of other groups of consumers.

Theoretical and methodological problems of strategic marketing remain insufficiently covered in scientific literature. Scientific developments are not sufficiently adapted to the conditions of the Ukrainian market [1–4]. Despite the number of works devoted to the issues of segmentation of the consumer market, there is no single approach to considering the theoretical aspects of such segmentation.

Consumer segmentation and consumer market segmentation are considered identical concepts in scientific sources. Market segmentation is the division of buyers into groups (segments) depending on their certain characteristics [5]. This

definition of market segmentation is generalized and does not give a clear idea of what this term comprehensively represents. The following vision of this term does not take into account that before identifying groups of consumers, certain characteristics are chosen by which these groups are formed, at the same time, such groups must differ from each other, while consumers within the same group have similar characteristics [6]. Consumers within the same group, in addition to reacting to the marketing mix of measures, must have the same needs and satisfy them in the same way. However, this is not taken into account in the definition of market segmentation, as a systematic process of distribution of consumers who have a similar or identical reaction to a set of marketing measures of the enterprise (product, price, place of sale and marketing communications) [7]. Market segmentation is the division of consumers into groups (segments) that differ in relative homogeneity of demand, tastes, preferences, or reaction to certain types of marketing activities [8, 9]. This interpretation is the most complete, but does not contain information about how exactly consumers should be divided into groups.

After analyzing the approaches and definitions of different authors, it can be concluded that the segmentation of the consumer market is the division of consumers into homogeneous groups based on certain characteristics that have the same needs and provide the same or similar response to certain marketing measures. Accordingly, such a group of consumers is a market segment. The tasks solved by the segmentation of the consumer market include the division into segments for the purpose of identifying needs and expectations, defining the target segment, developing individual marketing measures for each group, evaluating the dynamics of the segment's development, providing feedback.

In this regard, *the aim of research* is to justify the segmentation of the consumer market as a mandatory tool of strategic marketing and to develop the stages by which the segmentation of the consumer market of the enterprise is carried out. This will make it possible to study the existing and determine the potential needs of consumers of the company's services, divide them into groups and select target segments.

## 2. Materials and Methods

The theoretical and methodological basis of the conducted scientific research are the provisions of marketing theory and general scientific methods of scientific knowledge. The research methodology is based on general scientific approaches to consumer market segmentation and special methods: systematization and generalization (analysis of approaches to defining the concept of consumer market segmentation), strategic marketing tools. Research data on existing strategic marketing tools of enterprises on the Ukrainian market are also used.

## 3. Results and Discussion

Strategic marketing tools include a system of certain approaches that [10]:

- take into account the nuances of pricing at the enterprise;
- take into account the specifics of the services provided or the goods manufactured;
- focused on attracting additional consumers and their service;
- based on the principles of financial and quality control of the enterprise's activity;
- focused on personnel development.

The main priorities of strategic marketing include: studying and forecasting the market (consumers, competitors, partners), developing methods of adapting to market conditions and determining an effective pricing policy, which allows segmentation of the consumer market.

The main goal of consumer market segmentation is to ensure product (service) targeting. After all, a product or service cannot meet the needs of all consumers. It is segmentation that makes it possible to implement the main principle of strategic marketing – customer orientation. At the same time, the company focuses on the most promising segment or segments of the Ukrainian market, for each of which the same or similar types of products (services) may be needed, which differ in product requirements and, accordingly, require a certain marketing complex [9].

In order to segment the consumer market, it is suggested to use the following principles [11, 12]:

1. *Difference between segments*. This means that after segmentation, the result will be the definition of consumer groups that are different from each other.

2. *Similarity of consumers in the segment*. Such a basis assumes the homogeneity of potential buyers through the prism of the purchasing relationship to the specified product (service).

3. *The volume capacity of the segment* implies that the target segments must be large in order to ensure sales and cover the costs incurred by the enterprise. When evaluating the volume capacity of a segment, the nature of the product (service) being sold and the capacity of the potential market for soft drink manufacturers must be taken into account, because small segments that generate demand for expensive products and services give the same profit.

4. *Ability to calculate consumer characteristics*. It is necessary for targeted marketing research, which makes it possible to identify the needs of potential buyers and to study the reaction of the target market of soft drinks to the marketing actions of the company. This opportunity is important, because the distribution of a product (service) without feedback from consumers leads to the dispersal of the company's resources.

5. *Consumer reach*. It characterizes the presence of communication channels of the enterprise with potential consumers – social networks, newspapers, magazines, television, outdoor advertising, etc. This is necessary for organizing promotions, informing potential buyers about a specific product or service (its characteristics, cost, main advantages, possible sales, etc.).

Segmentation of the consumer market is proposed to be carried out according to the following characteristics [13]:

- *geographical features*;
- *industry characteristics*. Such signs are especially used by small and medium-sized enterprises. They help to expand and correctly form the assortment;
- *signs of the functional purpose of products*. This feature is based on the characteristics of the functions of products of a certain type;
- *a sign of the importance of consumers*. It represents the division of the market into segments where large-scale trade operations take place, and into segments with small and single purchases of goods. Segmentation by unit purchase of the product should not be ignored, because here the lowest level of competition;
- *a sign of forms of ownership*. It takes into account the specifics of working with the public and private sectors.

The segmentation criterion characterizes whether the enterprise correctly chose a certain market for its activity (potential, availability, opportunities for developing the segment, assessment of materiality, information availability) [14, 15].

Segments that have a high level of current sales, high growth rates, a high rate of profit, weak competition, uncomplicated distribution channels, etc. are more attractive.

The availability of the consumer market segment is determined by a combination of such factors as: the stability of political circumstances, trade conditions, the ability to receive information, low activity of competitors, the level of satisfaction of needs by existing production, the establishment of contacts with intermediaries [16].

The process of consumer segmentation by industry characteristics is presented in the form of a sequence of the following stages:

- analysis of characteristics and needs of potential customers;
- selection of features and segmentation criteria;
- consumer segmentation;

- segmentation interpretation;
- development of a strategic marketing complex;
- control over the implementation of the strategic marketing complex and product positioning on the market.

At the first stage, it is necessary to select researched brands that are preferred by consumers. The criterion for their selection should primarily be the brand's popularity (well-recognizable). If to examine little-recognizable brands of drinks, let's obtain incomparable data. The number of selected brands should be optimally 8–9 [9]. Then let's make a cross-tabulation, in which row and column indicate the studied brands. Thus, at the intersection of rows and columns, compared pairs of beverage logos are formed.

At the next stage, the characteristics and criteria of consumer segmentation are selected. To simplify the data collection procedure, respondents are asked to fulfill the requirements in two stages. At the first stage, the respondent is required to divide these pairs into four groups: «very similar», «similar», «dissimilar», «very dissimilar». At the second stage, it is proposed to make a classification of similarity within each such group according to the principle of its decrease from greater similarity to less, to check that the pairs of cards are arranged in an orderly manner and have clear boundaries of the four groups and are arranged according to the degree of decreasing similarity. To compile the sample, 50 respondents were interviewed. The ranks assigned by each respondent to each compared pair are summed and cross-tabulated.

At the third stage, with the help of the STATISTICA 12.0 program, the obtained matrix is processed, pursuing the goal of reproducing the distances in the space of a smaller dimension, for example two-dimensional. As a result of the processing of the entire array, an array of initial data was obtained, which is shown in the Table 1.

After that, the MDS analysis procedure was repeated with a new dataset. The resulting new perceptual map has two measurements. This map is shown in Fig. 1. The stress coefficient was 0.05.

The next stage of segmentation consists in the interpretation and measurement of the perception map. As can be seen from Fig. 1 on the first measurement (horizontal), the two groups of competing beverage brands differ significantly in market age. Therefore, this measurement can be interpreted as age on the market, «Young brands» of drinks: «Rc-cola», «Fanta», «Zhyvchyk» and «Old brands» ones: «Pepsi», «Coca-Cola», «Sprite», «Cream soda», «Lemonade», which have been on the market for several decades.

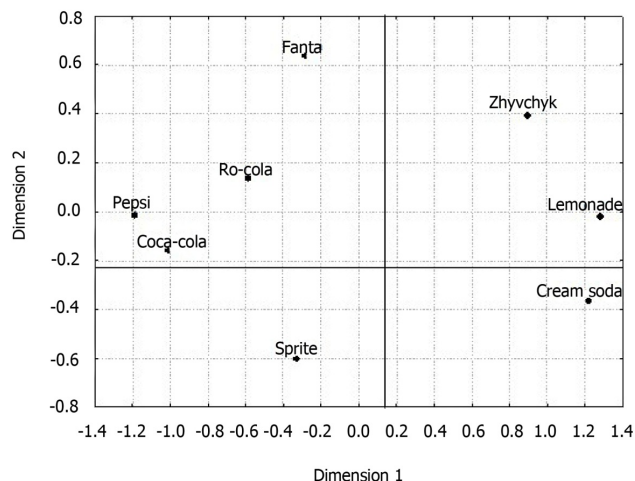


Fig. 1. Map of perception

If to consider Fig. 1 according to the second measurement (vertically), it can even be seen visually that these groups have significant differences in writing the names of beverage brands in different languages. Thus, the drinks «Fanta», «Pepsi», «Coca-Cola», «Sprite» and «Rc-cola» are written in Latin letters and are perceived by the consumer as drinks of foreign manufacturers and are such (with the exception of «Rc-cola»). Accordingly, the drinks «Zhyvchyk», «Lemonade», «Cream soda» are written in Cyrillic and are perceived by the consumer as drinks of domestic producers, which corresponds to reality. Based on this, this measurement was interpreted as «Brand origin». The observed states of this measurement are «Domestic» and «Foreign» brands of drinks. As a result, the similarity perception map in Fig. 2.

From the similarity analysis, it can be concluded that such drinks as «Lemonade» and «Cream soda» are perceived by consumers as «Old domestic drinks». Based on the conducted segmentation, information is obtained that can be used for strategic marketing. Therefore, it is necessary to implement a number of measures in strategic marketing to develop a marketing plan:

- develop a drink different from those presented on the market;
- develop an effective advertising campaign, which will be directed to a certain group of consumers;
- pay special attention to the development of the product name.

A soft drink is an optimal food product used to enrich the human body with biologically active substances. That is why one of the marketing measures is the development of

Table 1

Classifications of the degree of similarity between competing brands obtained as a result of the survey

| Brand      | Coca-Cola | Pepsi | Zhyvchyk | Cream soda | Lemonade | Sprite | RC cola | Fanta |
|------------|-----------|-------|----------|------------|----------|--------|---------|-------|
| Coca-Cola  | 0         | 59    | 588      | 724        | 732      | 242    | 160     | 349   |
| Pepsi      | –         | 0     | 924      | 776        | 701      | 377    | 173     | 360   |
| Zhyvchyk   | –         | –     | 0        | 269        | 193      | 396    | 478     | 358   |
| Cream soda | –         | –     | –        | 0          | 61       | 519    | 631     | 613   |
| Lemonade   | –         | –     | –        | –          | 0        | 610    | 556     | 582   |
| Sprite     | –         | –     | –        | –          | –        | 0      | 271     | 290   |
| RC cola    | –         | –     | –        | –          | –        | –      | 0       | 235   |
| Fanta      | –         | –     | –        | –          | –        | –      | –       | 0     |

a drink different from those presented on the market. The company should develop a non-alcoholic juice drink for health purposes using berry juice and plant extracts. After all, soft drinks enriched with biologically active substances are characterized by attractive organoleptic properties. Therefore, the development of a non-alcoholic health drink will make it possible to attract consumers who are focused on a healthy lifestyle.

In order for as many potential consumers as possible to learn about the new drink, it is necessary to develop an effective advertising campaign aimed at a group of consumers who lead a healthy

lifestyle. To begin with, it is necessary to choose an effective way of expressing the product within the advertising campaign. The development of an advertising strategy consists in determining what utilitarian and psychologically meaningful meaning should be added to a given product by advertising so that a potential consumer prefers it to other competing brands on the market [9]. That is, a plan for showing an advertising message to the target audience is drawn up, the principles of creating the text of an advertising message are determined, mass media are chosen for the distribution of advertising, and a plan for conducting advertising events is developed. Today, compared to other channels of communication with consumers, social networks are developing most dynamically. In this regard, it is necessary to allocate a separate place for them in the implemented advertising campaign. In order to evaluate the effectiveness of specific advertising means, a communication approach is used, which takes into account the effect of advertising on the target audience, namely: how advertising is perceived, whether it is remembered by consumers, etc.

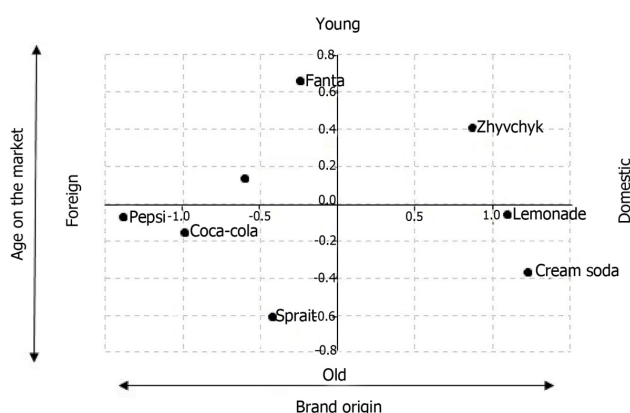


Fig. 2. Map of consumers' perception of similarity

Special attention should be paid to the development of the product name when implementing marketing activities. The product name should contain a combination of letters or words that are easy to read and remember. At the same time, such a name should reflect the idea and essence of the product, be unique and legally unoccupied, and also evoke a certain emotion in consumers. A complex name that is difficult to remember, pronounce and write will not become the driving force of product promotion. In order for the consumer to be able to find the product it likes again, it must clearly remember its name.

Thus, the implementation of the proposed marketing measures will allow the enterprise to:

- timely and periodically identify new needs of consumers and continuously evaluate changes in the soft drinks market;
- periodically analyze competitors;
- continuously conduct research to identify the strengths and weaknesses of products;
- optimal use of all measures for the implementation of strategic marketing tasks;
- effectively use own funds for the development of an effective marketing plan of the enterprise, namely: for personnel training, development of product sales channels, improvement of product quality;
- take a comprehensive approach to the development of the company's marketing plan.

However, it is worth considering that the implementation of the proposed marketing measures will not justify the expected results, if it will be necessary to spend on the organization of the sales promotion network and it will be difficult to control the growth of sales volumes. If the implementation of the proposed marketing measures requires the construction of a production base, then it requires significant investments, finding a location, and selecting qualified employees. Also, underestimating the dynamics of market growth or one's own competitive advantages, loss of business reputation, failure to use previously developed cooperative relationships will negatively affect obtaining a positive result from the implementation of marketing activities.

When conducting further research, it is planned to segment the consumer market not only by geographical features, but also by industry features, features of the functional purpose of products, a feature of the importance of consumers, and a feature of forms of ownership. This will make it possible to comprehensively determine the potential needs of consumers of the company's products, divide them into groups and select target segments.

## 4. Conclusions

A multidimensional analysis of the similarity of consumer segments interested in various products on the soft drinks market was conducted. Based on the analysis, the obtained information is necessary for the development of the enterprise's marketing plan. If the enterprises use the proposed recommendations, it will give an opportunity to really evaluate the marketing policy and improve the image of the enterprise on the market of Ukraine.

Thus, the most important result of the implementation of the proposed recommendations will be a general increase in the competitiveness of the enterprise, obtained as a result of a methodically correct approach to the organization of strategic marketing. Following these recommendations will help in developing an appropriate marketing plan for the entire target segment.

The segmentation of consumers by industry characteristics is considered. Identified segmentation goals:

- search and selection of buyers on the market, whose solvent demand the company can provide in the current and long-term;
- exclusion of buyers whose demand can be better met by competitors;
- concentration of efforts only on customers whose needs the company can provide better than others.

Therefore, consumer segmentation is an important tool for developing a marketing plan in strategic marketing. Based on consumer segmentation data, a number of marketing measures have been developed, which should be used to develop a marketing plan in strategic marketing.

## Conflict of interest

The author declares that he has no conflict of interest in relation to this study, including financial, personal, authorship or other, which could affect the study and its results presented in this article.

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## Data availability

The manuscript has no associated data.

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