

## CFAM1.3.4

### Establish target market segments for products /services and evaluate their potential



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#### Overview

This unit is about establishing a segmentation strategy for an organisation's products/services. It includes identifying those segments to be targeted based upon an evaluation of their potential and a reasoned review of the financial return forecast from the segments.

For the purposes of this unit, 'organisation' can mean a self-contained entity such as a private sector company, a charity or a local authority, or a significant operating unit, with a relative degree of autonomy, within a larger organisation.

This unit is recommended for middle marketing managers. Such marketers might be marketing/research or segmentation specialists employed directly by the organisation, or work for an agency/consultancy.

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### Performance criteria

- You must be able to:*
- P1 identify the bases for segmenting the market for an organisation's products/services according to the characteristics of its potential/existing customers
  - P2 identifying market segments that are measurable in terms of their size, buying power and profile
  - P3 evaluate and prioritise the potential of identified target market segments
  - P4 assess the viability of identified market segments, evaluating their potential profitability and stability
  - P5 determine preferred target segments that can be accessed by the organisation's product/service distribution systems and customer service provision
  - P6 justify prioritised segments for targeting, with these being sufficiently substantial to achieved the required returns on investment for the organisation

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#### Knowledge and understanding

*You need to know and understand:*

##### **General knowledge and understanding**

- K1 the importance of effective segmentation and its value towards developing marketing strategy
- K2 what constitutes a market segment, and why this differs from customer classification
- K3 characteristics that might be relevant to establishing potential market segments, including demographics, psychology, product/services awareness and/or usage patterns
- K4 the importance of ensuring that research is sufficient to justify any conclusions drawn from its results, and how to do this
- K5 the factors that make segments distinct, and the importance of determining segments that are distinctive
- K6 the importance of ensuring that segments are viable, that is they are of a size sufficient to warrant targeting, and are also accessible to an organisation

*You need to know and understand:*

##### **Industry/sector specific knowledge and understanding**

- K7 sources of information on trends and developments within the industry/sector
- K8 current and emerging trends and developments in the industry/sector
- K9 factors affecting customer decision-making within the industry

*You need to know and understand:*

##### **Context specific knowledge and understanding**

- K10 the organisation's range of products/services relevant to the segmentation process
- K11 the organisation's actual and potential customer base
- K12 the needs and expectations of the organisation's actual and potential customers
- K13 the customers' decision-making processes when buying the organisation's products/services
- K14 the importance of customer data and market analysis to informing the organisation's marketing strategy

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### Additional Information

#### Behaviours

1. You identify patterns and trends in complex and apparently diverse data
2. You gather and analyse information from a variety of sources
3. You identify and evaluate risks, balancing these against anticipated benefits
4. You analyse and structure information to develop knowledge that can be shared
5. You present information clearly, concisely, accurately and in ways that promote

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**Developed by** CFA Business Skills @ Work

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**Version number** 1

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**Date approved** April 2010

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**Indicative review date** April 2012

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**Validity** Current

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**Status** Original

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**Originating organisation** Chartered Institute of Marketing

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**Original URN** NM1.3.4

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**Relevant occupations** 1132 Marketing & Sales Managers  
3543 Marketing Associates

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**Suite** Marketing

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**Key words** Marketing, sales, marketing management, market research, advertising, public relation