

## 5.5: Essential Factors in Effective Market Segmentation

### Learning Objectives

By the end of this section, you will be able to

- List and describe the essential factors in effective market segmentation.

### Essential Factors in Effective Market Segmentation

There's an acronym you can remember for the essential factors in effective and successful market segmentation—ADAMS. The acronym stands for five criteria:

- Accessible
- Differentiable
- Actionable
- Measurable
- Substantial

First, a market segment should be accessible. Given your marketing department's strengths and abilities, can you reach consumers in that segment at an affordable cost? For example, if you discover that certain segments respond more effectively to outdoor advertising, social media campaigns, TV infomercials, or print ads, does your organization have the capabilities (and budget) to reach that segment?

Second, a market segment should be differentiable. In an ideal world, a market segment should be internally homogeneous (i.e., consumers within that segment have similar preferences and characteristics) but externally heterogeneous (i.e., different segments should be distinct and different from one another). You must clearly define the differences between market segments so that the marketing programs directed at them can be implemented without overlap.

Third, a market segment should be actionable. Is it practical (or profitable) to execute a marketing strategy aimed at that segment? A market segment should be able to respond to a certain marketing strategy and have outcomes (e.g., awareness, interest, or purchase) that can be easily quantified.

Fourth, a market segment should be measurable. You should be able to accurately estimate the size of the market segment in terms of either sales value or number of customers so that you can decide whether, how, and to what extent you should focus your efforts on that segment.

Finally, a market segment should be substantial. It doesn't make sense to waste resources to market the product or service to a group too small to justify the expenditure of resources (Commence, 2021).

### Knowledge Check

It's time to check your knowledge on the concepts presented in this section. Refer to the Answer Key at the end of the book for feedback.

1.

Mateus is a marketer for a consumer products company. His company is considering marketing a new breakfast drink, but Mateus wants to make certain that there is a sufficient number of consumers in his target audience to make the new product development process worthwhile. Which essential factor of market segmentation is he analyzing?

- a. Accessible
- b. Differentiable
- c. Actionable
- d. Measurable

2.

Wall Enterprises is considering developing a new product for a market segment identified by marketing research. However, based on the research, it appears that the market segment may be smaller than originally anticipated. Which essential factor of market segmentation does this reflect?

- a. Accessible
- b. Differentiable
- c. Substantial
- d. Actionable

3.

Alma is analyzing the market segment she has identified for a new service to determine whether her firm can reach the consumers in that market within the constraints of her budget, given the firm's resources. Which essential factor of market segmentation does this reflect?

- a. Accessible
- b. Actionable
- c. Substantial
- d. Measurable

4.

Idris has been researching a potential market segment for his company's new product. He is concerned that, although the product holds considerable promise, the advertising campaign would exceed the company's budget. Which essential factor of market segmentation appears to be lacking in Idris's analysis?

- a. Differentiable
- b. Substantial
- c. Measurable
- d. Accessible

5.

Which essential factor in selecting a target market refers to the ability to accurately determine the size of the market in terms of either sales volume or number of customers?

- a. Actionable
- b. Differentiable
- c. Measurable
- d. Substantial

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