

# The Role of Market Segmentation in Enhancing Marketing Effectiveness in the Digital Era

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**Abstract**-This study aims to analyze the urgency of market segmentation in increasing the effectiveness of marketing strategies in the midst of an increasingly competitive and heterogeneous market. In contrast to previous theoretical research, this study uses a *library research method* with a qualitative descriptive approach to systematically evaluate the effectiveness of segmentation. The literature selection process was carried out through a filtering technique for 30 reputable scientific articles published in the 2020–2026 period through *the Google Scholar and ScienceDirect databases, with inclusion criteria in the form of relevance to the STP (Segmentation, Targeting, Positioning) strategy* and marketing operational efficiency. The results of the study showed significant findings that companies that applied *behavioral segmentation* compared to conventional demographic segmentation experienced an increase in marketing budget allocation efficiency by 20-30% and a more stable *increase in customer retention rate*. This study concludes that market segmentation is not just a mapping tool, but a strategic instrument to mitigate the risk of *resource waste* and strengthen competitiveness through precise product personalization. The managerial implications of this study emphasize the importance of transitioning from macro segmentation to micro-segmentation supported by data analytics to achieve long-term competitive advantage.

**Keywords:** Market Segmentation; Marketing Strategy; Operational Efficiency; Customer Retention; Literature Study

## 1. INTRODUCTION

In recent years, rapid technological development and changes in consumer behavior have transformed the marketing landscape, requiring businesses to adopt more precise and data-oriented marketing approaches. Although market segmentation has long been recognized as a fundamental concept in marketing, many previous studies have primarily focused on its theoretical foundations and general applications. Limited attention has been given to examining how market segmentation remains relevant in addressing contemporary marketing challenges, particularly in highly competitive and dynamic business environments. This condition creates a research gap regarding the strategic importance of market segmentation as a tool for improving marketing effectiveness and supporting organizational competitiveness in modern markets. Urgensi penelitian ini juga semakin kuat ketika dikaitkan dengan kondisi Usaha Mikro, Kecil, dan Menengah (UMKM). Meskipun UMKM memiliki peran penting dalam perekonomian, banyak pelaku UMKM masih menghadapi berbagai kendala dalam menerapkan segmentasi pasar secara efektif. Keterbatasan anggaran pemasaran, kurangnya pemahaman mengenai karakteristik konsumen, minimnya pemanfaatan data pelanggan, serta keterbatasan sumber daya manusia menjadi hambatan utama dalam proses segmentasi pasar. Akibatnya, banyak UMKM masih menerapkan strategi pemasaran yang bersifat umum tanpa mempertimbangkan perbedaan kebutuhan dan preferensi konsumen. Kondisi tersebut dapat menyebabkan kegiatan pemasaran menjadi kurang efektif, penggunaan sumber daya menjadi tidak optimal, serta menurunkan kemampuan UMKM dalam bersaing di pasar yang semakin dinamis. Oleh karena itu, diperlukan kajian literatur yang lebih komprehensif untuk memahami peran segmentasi pasar dalam membantu perusahaan, khususnya UMKM, meningkatkan efektivitas strategi pemasaran yang dijalankan.

The increasingly competitive market dynamics require business actors to conduct an in-depth analysis related to the specific needs and characteristics of the consumer segments they serve. In the current context, consumers can no longer be seen as homogeneous entities, given that each individual has different variations of needs, preferences, purchasing power, and purchasing behaviors. Consumers are no longer seen as a homogeneous group because each individual has different needs, preferences, purchasing power, and purchasing behaviors. Increasingly competitive market conditions require companies to understand the diverse needs of consumers, so a more targeted marketing strategy is needed (Arnett, 2024; Mogaji, 2025). Market segmentation is the process of grouping consumers into several groups that have relatively similar characteristics, needs, and behaviors so that companies can design more effective and efficient marketing strategies (Setiyawan & Rofifudin, 2024). The importance of market segmentation can be seen from its ability to help companies identify the most potential consumer groups. With segmentation, companies can determine the right target market, develop products that suit consumer needs, and develop more effective promotional strategies. Research conducted by (Alda, 2026) It shows that the market segmentation strategy has a positive and significant influence on improving the company's sales performance. The results of the study prove that a good understanding of market characteristics can help companies achieve marketing goals more optimally. In addition, (Rindiani & Ali, 2025) explained that segmentation is an important part of marketing strategy because it helps companies in determining the right market goals and creating a strong position in the midst of business competition. Meanwhile, (Setiyawan & Rofifudin, 2024) emphasizing that market segmentation helps marketers understand customer needs more specifically so that marketing strategies are effective. (Andrean, 2021) to be more effective in reaching consumers. Although the benefits of market

segmentation have been widely discussed in various studies, there are still many business actors, especially small and medium enterprises (MSMEs), that have not implemented market segmentation optimally.

Many companies still use general marketing strategies without considering differences in consumer characteristics. As a result, marketing activities become less effective, promotional costs increase, and the chances of acquiring potential customers become smaller. Therefore, a study on the importance of market segmentation in marketing activities is still relevant to be carried out to provide a deeper understanding of the role of market segmentation in increasing the effectiveness of marketing strategies. Based on this description, the problems that can be formulated in this study are how important market segmentation is in marketing activities and how market segmentation can help companies increase the effectiveness of their marketing strategies. The purpose of this study is to analyze the importance of market segmentation in marketing activities and explain the benefits of market segmentation in helping companies determine the target market and increase the success of marketing activities.

## 2. RESEARCH METHODS

### 2.1 Types of Research

This study uses the literature study method (*library research*) with a qualitative descriptive approach to examine relevant concepts and theories regarding market segmentation. The use of the literature study method was chosen because this study aims to conduct an in-depth analysis of the role of market segmentation in the effectiveness of marketing strategies based on synthesis from various academic sources (Sharma et al., 2021). A descriptive approach is used to decipher the phenomenon and map the contribution of market segmentation in supporting the achievement of the company's marketing goals.

In order to ensure the validity and *replicability* of research results, the data collection process is carried out systematically through searching reputable *academic databases*, such as Google Scholar, ScienceDirect, and Emerald Insight. The literature selection stage was carried out using search keywords in the form of: "*market segmentation*", "*marketing strategy*", "*STP framework*", and "*marketing effectiveness*". The time span of publication of the analyzed articles is limited to the last five-year period (2021–2026) to ensure the relevance of the theory to current market dynamics.

The literature selection process is based on strict inclusion and exclusion criteria. The inclusion criteria include Indonesian and English scientific journal articles that focus on market segmentation topics and marketing strategies, and have a clear research methodology. On the other hand, the exclusion criteria are applied to opinions, popular articles, and written works that are not directly related to the STP framework. In total, there were 30 scientific articles selected to be analyzed through the stages of data reduction, data presentation, and conclusion drawn. With this systematic procedure, the research is able to produce a comprehensive and objective understanding of the urgency of market segmentation in the context of modern marketing. To enhance the transparency and rigor of the study, the literature selection process was conducted following the general principles of the *Preferred Reporting Items for Systematic Reviews and Meta-Analyses* (PRISMA). Although this research does not fully employ a systematic literature review methodology, a structured screening process was implemented to ensure the quality and relevance of the selected studies.

The literature search was conducted using academic databases including Google Scholar, ScienceDirect, and Emerald Insight. The search process employed combinations of keywords such as "market segmentation," "marketing strategy," "marketing effectiveness," "STP framework," and "consumer targeting." The initial search generated a substantial number of potentially relevant publications. Subsequently, articles were screened based on their titles, abstracts, and overall relevance to the research objectives. In the next stage, duplicate records were removed and the remaining studies were assessed for eligibility. Articles lacking clear research methodologies, published in non-academic sources, or not directly related to market segmentation and marketing effectiveness were excluded. After completing the identification, screening, eligibility assessment, and final selection stages, a total of 30 articles met the established criteria and were included in the final analysis.

### 2.2 Data Sources

The data used in this study is secondary data obtained from various sources, including:

- a. Marketing books that discuss the concept of market segmentation.
- b. National and international scientific journals published in the last five years.
- c. Scientific articles, proceedings, and academic publications related to market segmentation and marketing strategies.
- d. Reliable reference sources that support the discussion of the research.

### 2.3 Data Collection Techniques

The data collection technique is carried out by a qualitative method, namely by collecting, reading, and reviewing various literature related to the research topic. The literature used is selected based on its suitability with the research theme and has clear sources and can be accounted for academically.

### 2.4 Data Analysis Techniques

The data that has been collected is analyzed using qualitative descriptive analysis techniques. The stages of analysis include:

- a. Data collection, i.e. identifying and collecting various relevant references.
- b. Data reduction, which is selecting information that is in accordance with the focus of the research.
- c. Data presentation, which is organizing the information that has been obtained into a systematic narrative form.
- d. Drawing conclusions, namely concluding the results of studies on the importance of market segmentation in marketing activities based on theory and previous research.

## 2.5 Object of Study

The object of study in this study is market segmentation in marketing activities, which includes the definition of market segmentation, the basics of market segmentation, the benefits of market segmentation, and its role in increasing the effectiveness of the company's marketing strategy.

## 2.6 Literature Selection Flow

The literature selection process was conducted through four stages adapted from the PRISMA framework:

Identification → Screening → Eligibility → Inclusion

During the identification stage, relevant studies were collected from academic databases. The screening stage involved reviewing article titles and abstracts. Eligible studies were then assessed through full-text evaluation based on the predefined criteria. Finally, studies meeting all requirements were included in the final review and analysis.

## 2.7 Definition of Market Segmentation

Market segmentation is understood through various theoretical perspectives that place consumer mapping as the foundation in marketing management (Sharma et al., 2021). In contrast to this view, Philip Kotler and Kevin Lane Keller view market segmentation as an instrument for identifying groups of consumers with similar needs, which serves as the basis for designing more effective and efficient marketing strategies.

These differences in perspectives show that segmentation is not just a market classification tool, but is a strategic first step in the marketing process to understand the profile of the consumers to be served. By synthesizing these two views, it can be seen that the main function of segmentation is to direct companies in allocating marketing resources in a targeted manner, so that the chances of marketing success can be increased. Through a comprehensive understanding, market segmentation eventually becomes a crucial strategic instrument in decision-making to ensure efficiency and accuracy of targets in marketing activities.

## 2.8 Fundamentals of Market Segmentation

Market segmentation can be done based on several variables, namely:

- a. Geographic Segmentation, Geographic segmentation is done by region, such as country, province, city, climate, or population density. Location differences often affect consumer needs and preferences for a product.
- b. Demographic Segmentation, Demographic segmentation is carried out based on population characteristics, such as age, gender, education, occupation, income, and marital status. This segmentation is the most widely used method because it is easy to measure and identify.
- c. Psychographic Segmentation, Psychographic segmentation groups consumers based on lifestyle, values, interests, personality, and social class. This approach helps companies understand consumers' motivations in making purchases.
- d. Behavioral Segmentation, Behavioral segmentation is based on consumer behavior toward products, such as purchase frequency, loyalty level, sought-after benefits, and product usage rates.

Segmentation by geographical, demographic, psychographic, and behavioral helps companies understand the market more specifically (Czinkota et al., 2021).

## 2.9 Market Segmentation Objectives

The main goal of market segmentation is to identify market opportunities as well as improve the effectiveness of marketing strategies (Nygaard, 2024). By understanding the characteristics of each segment, companies can determine the most potential target market and devise an appropriate marketing strategy.

In addition, the market segmentation aims to:

- a. Identify more profitable market opportunities.
- b. Increase the effectiveness of marketing activities.
- c. Makes it easier for companies to develop products.
- d. Increase customer satisfaction and loyalty.
- e. Optimize the use of company resources.

## 2.10 Benefits of Market Segmentation in Marketing Activities

Market segmentation helps companies improve customer satisfaction, marketing cost efficiency, and competitiveness in the market (Salam et al., 2025; Wulandari & Gusty, 2026). First, companies can better understand the needs and desires of consumers so that the products offered are more in line with market expectations. Second, companies can develop

more effective promotional strategies because marketing messages can be tailored to the characteristics of target consumers.

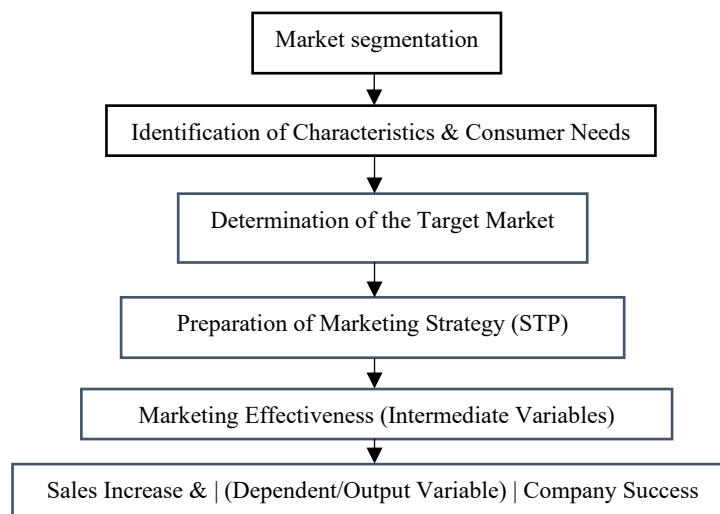
Third, market segmentation helps companies better face competition through more specific product offerings. Fourth, companies can save on marketing costs because promotional activities are focused on consumer groups that have high purchasing potential.

## 2.11 The Relationship of Market Segmentation to Marketing Strategy

Market segmentation is part of the STP (Segmentation, Targeting, Positioning) concept that is the basis for the preparation of modern marketing strategies (Dumadi et al., 2025; Mogaji, 2025). Once the market is divided into segments, the company determines which segment will be the target market (*targeting*). Furthermore, the company builds the image or position of the product (*positioning*) that are different from competitors in the minds of consumers. The application of the STP concept allows companies to create better value for customers and increase the company's competitiveness in the market. Therefore, market segmentation is the main foundation in the preparation of an effective marketing strategy.

## 2.12 Frame of Mind

In this study, market segmentation is seen as a factor that affects the effectiveness of marketing activities. The better the company does market segmentation, the more accurately the company will determine target consumers, develop marketing strategies, and increase sales success.



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## 3. RESULTS AND DISCUSSION

### 3.1 Research Results

The application of market segmentation has now transformed into a crucial foundation that determines the success of a company's operations in responding to increasingly heterogeneous market dynamics. Through systematic grouping of consumers based on psychographic characteristics, behaviors, and specific needs, companies are able to mitigate the risk of strategy inaccuracy that has often been the main obstacle in mass marketing. Success in mapping market segments allows organizations to align *value proposition* products with unique expectations from the most potential target groups, so that the marketing communication process becomes much more relevant, personalized, and effective. The immediate impact of this approach is not just an increase in reach, but a significant optimization of marketing budget efficiency, where available resources are no longer wasted targeting audiences that do not have a high probability of buying. From a financial efficiency perspective, the application of precise segmentation has been proven to improve *Return on Marketing Investment* (ROMI) of the company substantially by reducing customer acquisition costs and minimizing *marketing waste* which is common in homogeneous marketing strategies. In addition, market segmentation acts as a strategic compass in the company's decision-making cycle, especially in guiding the decision-making process *positioning* which is unique in the minds of consumers and sustainable product development.

When segmentation is integrated into a whole, strategic framework, companies will have the flexibility to continuously adapt to dynamic changes in consumer behavior, creating a competitive advantage that is difficult for competitors to replicate. Essentially, segmentation is no longer seen as a mere market classification tool, but rather as a vital instrument in strategic management that allows companies to allocate resources more intelligently, strengthen long-term customer loyalty, and ensure that every marketing mix that is run has a strong impetus for improved sales performance. Thus, mastery of market segment mapping is an absolute requirement for every business actor who wants to achieve their business goals with high precision in the midst of increasingly challenging and complex market

competition. The application of market segmentation has been proven to be able to increase marketing effectiveness and sales performance of companies (Arnett, 2024; Tehedi Tehedi, 2025). In addition, various studies show that market segmentation can improve the efficiency of marketing budget use. Companies can focus promotional activities on consumer groups that have higher purchasing potential so that marketing costs can be used more optimally.

**Table 1.** Previous Research

| Author(s)                                    | Research Focus                                  | Segmentation Type                                  | Main Findings                                                                               |
|----------------------------------------------|-------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------------------------------------|
| (Anggia Ayu Lestari, Melifia Liantifa, 2026) | STP Framework                                   | Geographic, Demographic, Psychographic, Behavioral | Market segmentation serves as the foundation for developing effective marketing strategies. |
| (Sugiardi, 2026)                             | Segmentation Strategy and Competitive Advantage | Behavioral and Target Market                       | Effective segmentation contributes to improved competitiveness and market positioning.      |
| (Ali & Pardalepi, 2025)                      | Market Segmentation and Purchase Decisions      | Demographic                                        | Appropriate segmentation improves targeting accuracy and purchasing decisions.              |
| (Necpal et al., 2025)                        | Halal Cosmetics Marketing Strategy              | Psychographic and Behavioral                       | Lifestyle-based segmentation supports more personalized marketing approaches.               |

## 3.2 Discussion

### 3.2.1 The Importance of Market Segmentation in Marketing Activities

Market segmentation is one of the important first steps in developing a marketing strategy. Every consumer has different needs and characteristics so companies need to understand these differences in order to be able to offer products that suit the market's desires. Through market segmentation, companies can identify groups of consumers who have similar needs and make them a marketing target. The application of market segmentation helps companies make more informed decisions related to product development, pricing, distribution, and promotion. Thus, companies can increase the chances of marketing success and reduce the risk of failure in offering products to consumers.

### 3.2.2 Benefits of Market Segmentation for Companies

Market segmentation provides various benefits for companies. First, segmentation helps companies understand consumer needs more deeply. This information can be used to create products that better meet customer expectations. Second, market segmentation makes it easier for companies to determine the most potential target market. By focusing on a specific group of consumers, companies can develop more effective and efficient marketing strategies. Third, market segmentation helps companies improve customer satisfaction. Products and services that meet consumer needs will provide a better experience so that it can increase customer loyalty in the long run. Fourth, market segmentation can increase the competitiveness of companies. By understanding the characteristics of the market more specifically, companies can create an advantage that sets them apart from competitors.

### 3.2.3 Application of Market Segmentation in the Business World

In practice, market segmentation can be applied to different types of businesses. For example, clothing companies divide their consumers by age, gender, and income level. Products for teenagers are certainly different from products for adults because their needs and preferences are also different. Another example can be found in the food and beverage industry. Companies often divide the market based on lifestyle and consumption habits. Nowadays many companies offer low-sugar products or healthy foods to meet the needs of consumers who are more concerned about health. Through the application of market segmentation, companies can develop marketing strategies that are more targeted so that they can increase sales and strengthen the company's position in the market.

### 3.2.4 The Effect of Market Segmentation on Marketing Effectiveness

Marketing effectiveness can increase when companies are able to reach the right consumers with the right marketing messages. Market segmentation helps companies avoid wasting resources because promotional activities are only focused on the group of consumers who have the potential to buy the product. In addition, market segmentation allows companies to build better relationships with customers. When consumers feel that the products and promotions offered are in accordance with their needs, then the level of customer satisfaction and loyalty will increase. This can ultimately have a positive impact on the company's growth and sustainability.

## 3.3 Summary of Discussion Results (Andreas, 2021)

Based on the results of the studies that have been conducted, it can be seen that market segmentation is an important factor in marketing activities. Market segmentation helps companies understand consumer characteristics, determine the

right target market, increase the effectiveness of marketing strategies, optimize the use of promotional costs, and increase customer satisfaction. Therefore, every company needs to implement market segmentation appropriately in order to be able to compete and achieve the expected marketing goals.

## 4. CONCLUSION

Based on the literature synthesis conducted in this study, marketing effectiveness is influenced not only by a firm's ability to identify consumer characteristics but also by its ability to strategically integrate different market segmentation approaches. The reviewed studies indicate that demographic segmentation serves as a foundation for identifying general consumer characteristics, whereas behavioral segmentation provides deeper insights into customer needs, preferences, and purchasing patterns. Therefore, this study proposes a conceptual framework in which demographic segmentation functions as the initial stage of market identification, while behavioral segmentation serves as the basis for developing more customer-oriented marketing strategies. This conceptual framework suggests that marketing effectiveness can be enhanced through a process consisting of consumer identification, behavioral analysis, target market selection, and the development of marketing strategies tailored to the needs of specific customer segments. Consequently, market segmentation should be viewed not merely as a classification tool but as a strategic instrument for creating sustainable competitive advantage. From a practical perspective, the findings provide important implications for businesses, particularly Micro, Small, and Medium Enterprises (MSMEs). Business owners are encouraged not to rely solely on demographic segmentation but also to utilize customer behavioral data obtained from social media platforms, digital channels, purchase histories, and customer interactions with products and services. Such an approach can support the development of more personalized marketing programs, improve promotional relevance, and strengthen customer loyalty.

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