The use of Market Segmentation Theory in Practice: Business-to-Business Marketing Practitioners' Perspectives

by

Johannes Hendrik Visser

Submitted in accordance with the requirements for a degree of

Doctor of Philosophy (PhD)

in the subject

Business Management

at the

University of South Africa

Supervisor: Prof J W Strydom

Acknowledgements

At the end of a journey such as this study, one realises that there are many people who carried me through the last number of months. From the forming of the research idea, to the conceptualisation and eventual final submission of this report.

For a research idea that became a research adventure, I want to thank my colleague, Prof Peet Venter.

For the encouragement and support to start and keep going on this journey, I thank an ex-colleague, Prof Mari Jansen van Rensburg.

For my mentor and patient supervisor, Prof Johan Strydom. Thank you Johan. Your guidance from my very first research idea to the completion of this research is valued.

Colleagues such as Prof. Annemarie Davis, who guided me when systems sometimes wanted to slow me down.

To my number one hero in finding information - Megan Scheepers. I am not sure if any word of thanks will be enough to really say what I want. Thank you, thank you, thank you.

There were other colleagues along the way that have shown interest and encouraged me to stick to my guns. Thank you to everyone.

My darling wife, Estie. Thank you for your quiet but solid support. Thank you for allowing me time and space to complete this journey in a state of domestic peace.

My parents, Jan and Bettie. Thank you for always supporting and encouraging me.

When I doubted myself, I turned to God. Thank you dear Lord, for never failing me. Blessing me with strength, an opportunity, support from a crowd of people and much more. Amen.

Abstract

The reality of a so-called theory/practice divide between what the academic world research and teach and how it is applied by practitioners has existed for decades. Academics commented about the practical applicability of theories concerning business management applications. This research attempts to understand a concept from a practitioners' viewpoint. The focus of the research was on marketing and management practitioners' application of market segmentation principles in their businesses. The study was qualitative in nature. Discussion guidelines were used in in-depth interviews from purposefully selected case study organisations.

The analysis indicated that practitioners readily apply the economic principle of market segmentation. That is to divide the broad market into parts (segments) and then focus their attention on selected segments. The analysis also indicated that practitioners deviate from the current marketing theory on market segmentation. It was further found that management practitioners could benefit from applying some of the principles taught in market segmentation theory.

The implications from the findings are twofold. The first is that an alternative theory regarding market segmentation emerged from management practitioners' perspectives. The second is that it is possible to integrate aspects of other market segmentation schemes with the alternative theory to ensure a market segmentation approach that confirms management intuition as well as existing market segmentation theory. Merging these approaches creates a possible improvement in the practical application of current market segmentation theory.

Key terms: Marketing; marketing strategy; market segmentation; business-to-business marketing; implementation of market segmentation strategy; management practice; strategy-as-practice; qualitative research; case study research; thematic analysis.

DECLARATION

Name: Johannes Hendrik Visser

Student number: 5290392

Degree: PhD (Business Management)

Exact wording of the title of the thesis as appearing on the electronic copy submitted for examination:

“The use of Market Segmentation Theory in Practice: Business-to-Business Marketing Practitioners’ Perspectives”

I declare that the above thesis is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

I further declare that I submitted the thesis to originality checking software and that it falls within the accepted requirements for originality.

I further declare that I have not previously submitted this work, or part of it, for examination at Unisa for another qualification or at any other higher education institution.

29 November 2019

SIGNATURE DATE

Table of Contents

List of Tables

List of figures

Chapter 1: Introduction to the study

1.1 Introduction

Market segmentation, as an important instrument in strategic marketing, has been taught by academics for many years. It is longe been regarded as a key strategic element of a marketing strategy (Palmer and Millier, 2004) and as a foundation for superior financial performance (Cravens and Piercy, 2013). As recently as 2018, the opinion from Palmer and Millier was still relied on by researchers. In research that focused on Internet-based shopping, Pandey and Chalwa (2018) emphasised the need to continuously assess the varying customer needs form online shoppers to manage the organisations' marketing strategies. From an economic viewpoint, it makes sense to demarcate (segment) the market and focus on parts of the market that align with organisational strengths (McGuigan, Moyer and Harris, 2017). Market segmentation is part of a marketing management process encompassing segmenting the market, selecting segments to target and positioning the organisation in the target markets (Armstrong, Kotler and Opresnik, 2017). It is often referred to as marketing's Segmentation, Targeting and Positioning (STP) process.

Bearing in mind the importance of market segmentation, as highlighted by the authors above, the question arises as to what the status is regarding the application of the market segmentation processes. While it is acknowledged that market segmentation is a determinant of marketing success (it is the foundation upon which the marketing mix is developed) it is not clear to what extent marketing decision makers share this sentiment. Researchers such as Dibb and Simkin (2009) and Dolnicar and Lazarevski (2009) deplore the disconnect between market segmentation theory and how it is applied in practice by decision makers who deal with strategic marketing issues. Tuma and Decker (2013) confirm that the application of market segmentation does not reflect the use of theory. So do Tkaczynski, Rundle-Thiele and Prebensen (2018), who mention that there is no correct approach to market segmentation, a phenomenon that can be potentially confusing for marketing practitioners who have to make sense of the application of market segmentation theory.

The main purpose of this research was to gain insight into the approaches used by marketing practitioners when they implement market segmentation as part of marketing strategy. In order to achieve this goal it was deemed relevant to garner information about the thinking process that marketing practitioners apply when deciding on market segments. Skålén and Hackley (2011) suggest that there is a need for bottom-up research into how marketing is actually done in a quest to provide answers to questions about what marketing really means to executives. It is expected that current market segmentation theory could be supplemented through a more profound understanding of market segmentation practice based on insights from marketing practitioners themselves. Foedermayr and Diamantopoulos's (2008b) extensive literature review of nineteen empirical studies based on actual segmentation practices of firms indicates that less research is available from a business-to-business marketing perspective. Only eight of the nineteen articles focus on business-to-business market segmentation issues that apply to business-to-business marketing specifically. The clear need to explore market segmentation from a business-to-business perspective is addressed by this study. Market segmentation in a South African business-to-business marketing context demarcates this research.

1.2 Background to the research problem

Market segmentation is regarded as an integral part of the development of a marketing strategy (Venter and Jansen van Rensburg, 2014; Armstrong, Kotler and Opresnik, 2017). The development and implementation of a marketing strategy is considered one of the most important functional strategies (Walker and Mullins, 2011). The wide-ranging influence of a marketing strategy can be seen in the decisions that marketing managers must make about communication, pricing, distribution, customer service and other marketing functions. Marketing managers' decisions generally also impact those of other business level functions (Walker and Mullins, 2011). It is thus important that decisions taken about marketing strategy be well-informed – failing to do this could be detrimental to the economic sustainability of an organisation.

It is presumed that marketing practitioners should use marketing theory as a guideline to take marketing decisions. Yet for many years marketing researchers and academics have deplored the fact that the opposite is true. For instance, Dibb and Simkin (2009), Dolnicar and Lazarevski (2009), Hutt and Walker (2015) and Thomas (2016) refer to the so-called theory practice divide between academic research about market segmentation application and marketing practitioners' implementation of those research findings. Boejgaard and Ellegaard (2010) plead for more insight into the way in which marketing decision makers execute market segmentation. An important finding by Dibb *et al.* (2014) highlights a paucity of research on micro-level marketing practices, such as how practitioners should apply market segmentation strategy. Weinstein (2014) asserts that while market segmentation evolved from an academic concept into a key marketing planning tool, in practice few organisations use this strategic planning tool to their advantage. Earlier on Day (2011) found that organisations did not use contemporary market segmentation theory to make market segmentation decisions. Research findings about market segmentation models in the reviewed literature tend to represent research results from an academic viewpoint, with little evidence to provide conclusive confirmation of marketing practitioners' approaches to market segmentation. The described situation presents an opportunity for research that offers insights into market segmentation practices - research that engages practitioners to create knowledge for advancing theory (Saunders, Lewis and Thornhill, 2009) and provides an opportunity for investigating strategic phenomena from a strategy-as-practice perspective (Paroutis, Heracleous and Angwin, 2016).

The call from academic researchers to bridge the gap between market segmentation theory and how it is applied in practice comes a long way.

1.3 Problem statement

The problem is that it is not certain to what extent marketing practitioners apply marketing theory when they develop and implement market segmentation strategies. To refine market segmentation theory, research on this important aspect of knowledge is required. Market segmentation is regarded as one of the marketing managers' most crucial tasks (Venter and Jansen van Rensburg, 2014). While theoretical models for market segmentation exist, it seems that marketing practitioners are left to their own devices regarding decisions about formulating and implementing market segmentation strategies when it comes to this important part of their expected output. This is borne out by the research findings mentioned above. In the South African context, no research that specifically deals with this research problem could be found.

The literature review revealed that many researchers had over time commented on the lack of market segmentation research (and therefore guidance) in a business-to-business context. The research problem is stated as follows:

"While marketing theory suggests that market segmentation is a determinant of marketing success, it is not clear to what extent marketing decision makers share this sentiment, particularly in a business-to-business marketing context."

Research on practice based strategy is an important development in the business management research field (Golsorkhi, 2010). Strategy as practice research recognises strategy as a complex process that attempts to uncover the predicaments that people encounter in developing and implementing strategy. Paroutis, Heracleous and Angwin (2016) mention that understanding and decoding micro-level strategy practice execution inform strategy review. This serves scholars while highlighting the strengths and weaknesses of strategy-making processes to practitioners. They emphasise the need for more research on strategic processes. Exploring what marketing practitioners do in practice when they take decisions on and implement market segmentation provides researchers with relevance regarding management practice as central to organisational performance (Orlikowski, 2010).

1.4 Research questions

The primary research question for this research is:

“How do marketing practitioners execute market segmentation in practice?”

To understand the “how” better and deepen understanding of the primary research question, secondary research questions were formulated. These are:

- To what extent do marketing practitioners use current market segmentation theory to guide their market segmentation decisions?
- Who influences market segmentation decision making? Marketing decision makers include marketing managers but could also include other managers of the same organisation, consultants and service suppliers such as advertising agencies.
- What are the perceived benefits that marketers get when they segment markets?
- What are the barriers that marketing practitioners must overcome to be able to use market segmentation theoretical frameworks?
- How are market segmentation outcomes used, with reference to the allocation of resources and market growth?

Only marketing practitioners themselves could provide responses to such research questions. Gaining detailed insights from a sample of marketing practitioners through in-depth interviews provided the opportunity to establish a market segmentation approach from a marketing practice perspective, an approach endorsed by Saunders, Lewis and Thornhill (2009).

1.5 Research objectives

The research questions were devised to achieve the research objectives that would make sense to the research questions. The most important research objective was to understand the thinking process that marketing practitioners apply when they execute market segmentation.

Other research objectives were set to align with answering the secondary research questions. The following research objectives were formulated:

- To establish the value that market segmentation <u>theories</u> provide for marketing practitioners when they execute market segmentation in practice.
- To establish what marketing practitioners would like to get from market segmentation theory that will make practical sense from an implementation perspective.

- To establish the roles that influencers play in deciding on a suitable market segmentation strategy.
- To establish the network that marketing practitioners must manage/influence to implement market segmentation.
- To establish the perceived benefits that marketers gain from market segmentation - benefits such as deeper customer insights that pave the way for market segment domination, unique customer relationships and development of strategies to create a competitive advantage.
- To establish the adjustments that marketing practitioners must make to overcome implementation barriers suggested by theoretical frameworks.
- To establish the most important reasons why marketers use market segmentation as part of their marketing strategy.

1.6 Research methodology

Applying a qualitative enquiry to find answers to the research questions was regarded as the most appropriate way to gain in-depth knowledge of marketing practitioners' reality. This research allowed for the exploration of subjective perceptions and consequent actions which motivate peoples' actions (Saunders, Lewis and Thornhill, 2019). Myers (2013) believes qualitative research is perhaps the best way of bringing together academic scholarship and management practice, because qualitative researchers can focus on real world situations. Since the need was to solicit answers from marketing practitioners themselves, in-depth face-to-face interviews were selected to gather data. In-depth interviews allow for deep understanding and opening up new dimensions and insights (Easterby-Smith *et al.*, 2018). The point of an in-depth interview is to gain understanding from the perspective of participants, not only of their viewpoints but also on why they have a particular viewpoint.

Semi-structured interviews were used as they allowed the researcher to adapt the script of the discussion guideline that was used to guide interviews and pursue matters as circumstances required (Lee, 1999). In total six interviews were conducted with senior managers from three pre-selected case study organisations. Sampling was guided by the view of Myers (2013) and Saunders, Thornhill and Lewis (2019) that qualitative sampling is not tied solely to the number of interviews (the number being a quantitative construct), but also to saturation, which should be interpreted as a function of the detail of data provided by an individual participant, thus a full understanding of the participant's perspective.

Case studies can focus on phenomena, a behaviour of a specific interest group or a specific aspect. It is often used when the concepts and variables are difficult to quantify and difficult to detach from their social context. It is a description of a management situation if a combination of what, when, how and why questions need to be answered (Saunders, Lewis and Thornhill, 2019). Interviews were planned in such a way that time between interviews allowed the researcher to reflect on responses and prepare for a next interview. Interviews were conducted with senior managers who were actively involved in the decision-making processes on the marketing direction that should be pursued – including market segmentation discussions and decisions.

The research focus was on South African organisations in a business-to-business marketing setting. All three organisations have a national footprint, implying that they must segment their market carefully to ensure that time and resources are not wasted. The focus of analysis was thus on the incidents of decision making when choices had to be made about market segments.

Thematic analysis was selected as the method to analyse data. While thematic analysis and content are often regarded as one and the same, there are notable boundaries between these two data analysis approaches. The purpose of content analysis is to describe the characteristics of the content of qualitative data according to a systematic categorisation of text information. Thematic analysis allows for the systematic identification, analysis and reporting of themes in data (Vaismoradi, Turunen and Bondas, 2013). Braun and Clarke (2006) consider thematic analysis as the foundational data analysis method in qualitative research.

1.7 Chapter layout

The last part of Chapter 1 (Introduction) provides a summary of the chapters.

Chapter 2 is the literature review. The literature reviewed first contextualises the concept of market segmentation - its origins, how it is defined and where in the strategy making process it is applied. Next the literature focuses on researchers' and authors' critique of the application of the concept. For instance, markets are moving towards a service context that requires customisation from one service encounter to the next. This phenomenon will reduce the need for market segmentation, as marketing in a service context lends itself to a situation termed "marketing of one" (Zinser and Brunswick, 2016). On the other hand, Dolnicar, Grün and Leisch (2018) argue that it is impossible to fathom a market that can be satisfied with one generic marketing strategy. The literature discussion does not discriminate between market segmentation in a consumer market and a business market context. The literature reflects on aspects and principles of market segmentation as such, while business-to-consumer and business-to-business applications are discussed separately where necessary.

The literature research explores the application of market segmentation as it is understood, applied and implemented by contemporary marketing practitioners. Researchers seem to agree that there is a divide between marketing theory developers and marketing practice applicators. For instance, Weinstein (2014a) postulates that marketing practitioners in the USA do not use market segmentation as a strategic management tool. Ernst and Dolnicar (2017) point out that some of the fundamental questions about the application of market segmentation – such as whether market segments actually exist or are created through data manipulation – remain unanswered. Dolnicar, Grün and Leisch (2018) remark that market segments are artificially created clusters of people. As such, market segmentation could be regarded as anything that marketers view as making sense to them in their endeavours to break a large market into understandable chunks that they can isolate and focus on in their endeavour to generate money by responding to the market's needs. While Millier (2000) proposes a segmentation model for the business-to-business marketing context that is based on intuition, Brotspies and Weinstein (2019) state that years after Shapiro and Bonoma's (1984) research, segmentation is still poorly understood and used by business-to-business marketers. This part of the literature review explores differences amongst researchers about a best way to apply market segmentation theory. It exposes an opportunity to shed light on ways to close the theory-practice divide regarding market segmentation.

The literature review then shifts to application aspects of market segmentation. Suggested market segmentation processes from Dolnicar, Grün and Leisch (2018), Dibb and Simkin (2008) and McDonald and Dunbar (2004) are shared. While the approaches follow a generic process of segmenting, targeting and positioning (STP), processes differ depending on the quantity and quality of research data available and the emphasis placed on different needs as the most important consideration for forming market segments.

Decisions about which market segmentation bases to include in segments are then discussed. While McDonald and Dunbar (2004) insist on market needs as the only true way to segment markets, other researchers contend that a market could also be split up using geographic, demographic, psychographic and other bases more applicable to business markets, such as purchase frequency.

Market segmentation criteria refer to the principles that are used to guide the effectiveness of market segmentation and their application to marketing strategy (Wedel and Kamakura, 2000). Dolnicar, Grün and Leisch (2018) assert that there is no ideal way to approach market segmentation analysis but suggest that managers should consider aspects such as organisational constraints to guide their decisions. Selected market segments will remain hypothetical until it is determined whether it is reasonable and practical to allocate resources to formulate competitive strategies to exploit segment potential (Tkaczynski, Rundle-Thiele and Prebensen, 2018). Researchers agree on the criteria that can be applied to select the best market segments for the organisation, while Tonks (2009) proposes a schema to distinguish between qualification criteria (including criteria such as measurable, accessible, actionable, substantial) and attractiveness criteria (such as compatibility with organisational objectives, compatibility with organisational capabilities, sales volumes and segment growth). Researchers share their recommended approaches regarding the application of best practice during this part of the literature review.

The final part of the literature review investigates the application of market segmentation techniques. Market segmentation techniques can be classified as either a priori or post hoc. With an a priori approach the number and type of segments are determined based on prior knowledge of the segment, such as demographic variables. Post hoc approaches use data analysis and manipulation to identify and confirm market segments (Liu *et al.*, 2019). Hiziroglu (2013) provides a schematic classification of segmentation techniques but warns that there are researchers who do not favour any data preparation, as they are not convinced of meaningful differences in output with such normalisation. Segmentation techniques are applied in the validation and verification of segments during the segmentation phase of the market segmentation process. In post hoc segmentation, where the definitions of segments are not known before the time (as in the a priori segmentation approach), clustering methods are applied to find patterns in the responses from survey or secondary data (Myers, 1996). Market segmentation techniques are used to establish construct validity in three ways. In the first place, they identify the extent to which positive correlations exist between measurements of the same construct. Secondly, they confirm that there is no correlation with constructs that are theoretically unrelated. Lastly, they establish consistencies regarding different but associated constructs. As the data used for statistical analysis can be influenced in many ways, Casabayó, Agell and Sánchez-Hernández (2015) attempt to merge statistical techniques with interpretative logic to assist marketing practitioners to make better decisions based on the application of interpretive logic after initial statistical analysis. Prior to this, Millier (2000) suggested that managers use intuition to assist in confirming market segments – especially in instances where data are insufficient or markets concentrated, such as business-to-business marketing contexts.

In Chapter 3 an overview of market segmentation processes is shared. The acknowledged market segmentation process consists of three steps in which market segments are identified, targeted and lastly developing marketing strategies that addresses the needs of the target markets. The market segment processes that are discussed in more detail are all from prominent and acknowledged researchers in the domain. Myers (1996), Wedel and Kamakura

(2000), McDonald and Dunbar (2004), Dibb and Simkin (2008) and Dolnicar, Grün and Leisch (2018) are authors that dedicated research effort to market segmentation and authored textbooks that addresses this discipline alone. From the discussion in chapter 3 there are meaningful differences between authors on the process that could be followed by practitioners.

Market segmentation bases refer to the classification system that marketers could apply when they attempt to find homogenous groups of customers in the market. While Myers (1996) noted that the number of market segmentation bases are unlimited, Wedel and Kamakura (2000) suggested a schema that consists of observable and unobservable criteria that can be used for general or product-specific segmentation bases. The discussion about market segmentation bases covers that for business-to-consumer marketing, business-to-business marketing and for international marketing.

Market segmentation criteria are applied to make choices about which market segments to target. The qualification and attractiveness of segments takes place when marketers use criteria such as how measurable, accessible, substantial and relevant a market segment is to the organisation. While Tonks (2009) provided valuable guidelines regarding qualification criteria and attractiveness criteria, Dat *et al.* (2015) cautioned that humans make these decisions and could therefore be flawed by subjectivity.

The last part of chapter 3 is dedicated to a discussion about market segmentation techniques. In this regard, Hiziroglu (2013) provided guidance on the host of clustering and classification techniques that can be applied in numerous quantitative options to validate and verify market segments.

In Chapter 4, the research approach applied to this research is shared. The aim of Chapter 4 is to explain the research process chosen to address the research questions. It sets out the process of the selected research design, the research philosophy and the resulting research approach of the researcher. While in Chapter 2 and Chapter 3 the literature review covers market segmentation approaches and perspectives and the central role that they play in setting marketing strategy, Chapter 4 provides information on the framework that guides the empirical inquiry in this research. In presenting the research design, the framework proposed by Saunders *et al.* (2009) is used to guide the discussion. The framework is also referred to as the research onion.

Research findings are discussed in Chapter 5. The first part of the discussion in Chapter 5 shares findings related to research objectives. This provides insights into the research questions. The research questions in turn were formulated to find answers to the primary question about the practices applied when marketing practitioners take decisions about segmenting markets. The findings from the data analysis shared in Chapter 5 are guided by the practical aspects of thematic analysis (Clarke and Braun, 2013) on which Maguire and Delahunt (2017) relied to formulate their recommendations about a framework for qualitative data analysis.

In the last chapter, Chapter 6, conclusions are drawn from the research findings. Findings are first discussed in the context of the literature review. This is followed by a discussion of the findings as they relate to market segmentation theory. After conclusions have been inferred from the findings, implications of the research findings are shared. The implications are discussed on first and second levels; proposals are based on the research findings.

Lastly, recommendations are made for further research.

Chapter 2: The market segmentation debate: a historical literature review

2.1 Introduction

This chapter commences with a discussion on the origins of market segmentation as the application of an economic principle to its evolvement into the marketing strategy as it is known today. The discussion then touches on contemporary applications of market segmentation. Differences in market segmentation definitions are explored to draw attention to the difficulties that could emerge between academics wanting to explain the concept and marketers applying the concept in practice. Differences in definitions of market segmentation may introduce variances in interpretation and therefore differences in the application thereof.

The literature review then evolves into a discussion that positions market segmentation in the hierarchy of strategy before moving to researchers' and authors critique of the application of market segmentation. In this regard, the practical application of market segmentation, its application in a business-to-business context and its reliance on statistical manoeuvring to define and validate market segments are examined. A short discussion about market orientation serves to highlight the relationship between market segmentation as part of marketing strategy and market orientation as management philosophy.

The market segmentation process discussion explores disagreements between researchers and authors about a uniform process, while attention is paid to more historic opinions about applying a process in the business-to-business context. The exploration of market segmentation criteria that follows not only highlights criteria from different researchers' perspectives, but also offers a rationale for the selection of suitable criteria. Bases for market segmentation provide insights into the business-to-consumer, business-to-business and international milieus. Before formulating research questions from the literature discussion, the different statistical techniques that can be considered when testing for the validity of market segments are described. The many pitfalls that marketers should be aware of when applying statistical techniques to data interpretation are highlighted.

2.2 Origins of market segmentation as an economic concept

The first time that pertinent mention was made of market segmentation, was in the context of deviations in business management practice from classic economic theory. Smith (1956) observed that while classic economic theories suggested either pure monopoly or perfect competition, in practice this was not the case. Differences among competitive suppliers in the market resulted in potential differences between competitive products and services offered to the market. It was suggested that marketers should leverage these differences through the adoption of market segmentation and product differentiation strategies. While some researchers have posited that Smith was not the originator of the market segmentation theory (Tonks, 2009; Tadajewski and Jones, 2014), his work is still regarded as formative to the segmentation principle.

Tadajewski and Jones (2014) refer to the contribution that Tedlow made in developing a model based on four phases of marketing theory evolution, the first being a time of fragmented markets, the second a phase of mass marketing and the third a phase of market segmentation during the middle 1950s. The last phase is characterised by an attempt at mass customisation, supported by the onset of services marketing (Tadajewski and Jones, 2014). Hunt (2011) confirms this in an article where he reviews the influence of the economic theory of monopolistic competition on marketing thinking that was developed by Chamberlin in the late 1920s. Hunt (2011) asserts that Chamberlin's theory significantly contributed to the history of marketing scholars' intellectual development and that it served as basis for Smith's (1956) theory. Smith (1956) argues that marketers should not resist the natural heterogeneity in the market and keep on vigorously promoting standard products. Market segmentation serves to facilitate better understanding of markets and through that, to improve customer satisfaction through focus and specialisation (Tonks, 2009).

The role that differences in marketing management philosophies played in adopting a segmented market approach needs to be recognised. According to authors such as Lamb, Hair, Joseph and McDaniel (2012) and Armstrong, Kotler and Opresnik (2017), four competing marketing management philosophies (or orientations) influence marketers' approach and subsequently the adoption of specific marketing processes. The philosophies are summarised as follows:

- A production orientation is characterised by an internal focus on the capabilities of an organisation as the impetus for approaching the market. Organisations will sell what they can produce best. It is accepted that the market will purchase products and services based on the organisation's superior strengths. Market segmentation is less important when adopting this philosophy, because management assumes any customer could desire their products and services.
- A sales orientation relies on aggressive selling techniques to convince the market to buy. Low prices, aggressive discounts and other sales techniques are used, while market needs are considered less important. Market segmentation will not be valued as a marketing strategy, as management assumes that there will always be a need for low prices and aggressive sales techniques will eventually convince the market to purchase.

- A market orientation emerges from the marketing concept that relies on understanding market needs better than competitors. It makes sense to demarcate a large market into segments to focus on.
- Lastly the emergence of a societal market orientation assumes that marketers will not only sell products and services to market segments according to their specific needs but will do so in a way that will protect and preserve society's long-term interest. Using packaging that is not a threat to the environment and that can be recycled qualifies the societal market orientation (Lamb, Hair, Joseph and McDaniel, 2012).

According to competition theory, pure monopoly occurs when there is only one supplier (Begg and Ward, 2013) and no close substitute for a product or service (McGuigan, Moyer and Harris, 2017). This absolute dominance of only one supplier in a market could result in manipulation of market prices to earn above-normal rates of return. On the other hand, a pure competitive situation exists where there are so many competitors that not one can influence price (McGuigan, Moyer and Harris, 2017). In practice, however, these two absolute alternatives seldom manifest. It is with this in mind that Smith (1956) proposes that marketing strategies should adjust to an economic system characterised by imperfect competition. While an economic system of perfect competition assumes perfect balance between demand and supply, imperfect competition suggests imbalances between suppliers (marketers) that unavoidably result in differences in products and services and especially pricing offered to the market (Begg and Ward 2013). This theory is shared by many economic theory researchers and authors, such as Pindyck and Rubinfeld (2009) and McGuigan, Moyer and Harris (2017). Table 2.1 summarises the characteristics of markets under perfect competition and markets under imperfect competition, highlighting the differences between the two.

Table 2.1: Summary of characteristics of markets under perfect and imperfect competition conditions

Characteristics of markets under perfect competition conditions	**Characteristics of markets under imperfect competition conditions**
Many marketers and customers. Not one of the marketers or customers can influence price. Both are subject to the price as determined by demand and supply in market forces.	Any marketer or customer can influence price, because of the influence that it has over competitive forces.
All marketers and customers share the same information. Thus, no differences between products and services can occur.	Differences in information between marketers and customers make product and service differentiation unavoidable.
All products and services from competitors are exactly similar.	There are naturally occurring differences between products and services amongst competitors. This is based on the differences in strength between suppliers.
No barriers exist to enter or exit markets.	Barriers to enter or exit markets exist. For instance, capital required to enter a market or prohibitive cost of selling a high capital value business prevents entry to or exit from markets.

Source: Adapted from Begg and Ward (2013)

From an economic theory perspective, all competing marketers in a perfect competition environment can only sell their products and services at the same price. Because there are many marketers, each one will be able to compete for a small share of the market. The share of the market will be divided exactly equally between competitors. Under conditions of imperfect competition, any marketers wishing to change their share of the market could do so by either producing or selling more or less products and services. Doing this could result in either more or less income and/or profit (McGuican, Moyer and Harris, 2017). Marketers in a perfect competitive situation will, however, be less able to charge a price that differs substantially from that of any competitor. Because all marketers and customers always share the same information in a perfect competition environment, any price changes will be immediately known by all marketers and customers. A lower price from any one competitor will be followed by all other competitors to protect their market share, while a higher price would shift buyers to competitors. Marketers' influence over profits will thus be weak (Pindyck and Rubinfeld, 2009; Begg and Ward, 2013).

The differences between markets under perfect and imperfect competition conditions shown in Table 2.1 illustrate Smith's (1956) appeal for product differentiation and market segmentation as alternative marketing strategies. In an imperfect competition environment, differences between competing products and services are spontaneous. This in turn leads to differences occurring based on market demand, often to the point where production is adjusted to suit demand requirements from the market. Marketing managers are responsible to develop marketing strategies best suited to the economic requirements of the organisation under particular competitive conditions. Market segmentation is an economic effort to adjust to deviations from the market demand as it allows for specialisation when focusing on specific market segments (Smith, 1956). It represents an economic rationale for focusing operations and marketing resources to meet the needs of a particular group. Dibb and Simkin (2008) emphasise that market segmentation suggests that maximum profits could be achieved when price is the main differentiator between different market segments. This principle is confirmed by Carles and Costa (2013), who established that the key components for price setting in a monopolistic competitive environment were characterised by progressive product/service differentiation, such as facilities, environment and intangible elements like brand image.

Figure 2.1 illustrates the three influences in favour of the market segmentation concept graphically. Figure 2.1 shows that market segmentation is sanctioned where the three influencers meet.

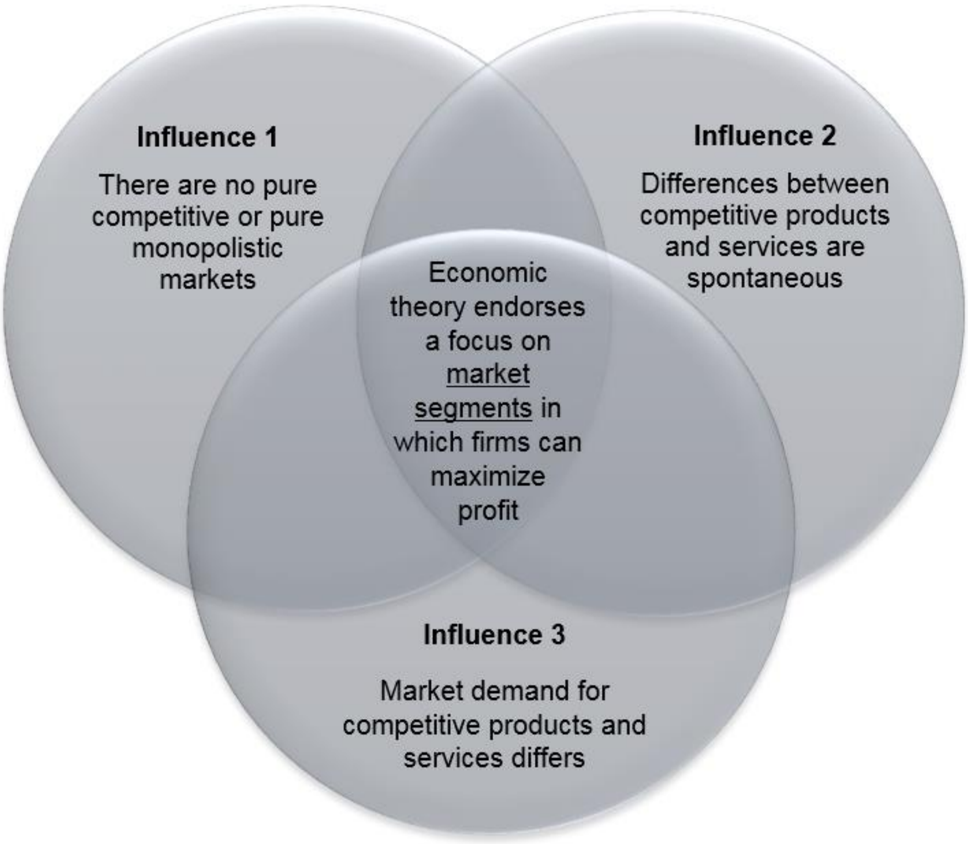

Figure 2.1: The economic rationale behind the market segmentation concept

Shaw and Jones (2005) remind us that marketing, while practised since ancient times, only started to develop as an academic discipline at the beginning of the 20th century. They confirm that marketing as an academic discipline emerged from applied economics and grew in tandem with early developments of management as a discipline which happened in reaction to the need to develop applications for the known efficiencies in manufacturing that are commonplace today. It moreover coincided with mass urbanisation and the need for order in everything that urban dwellers consumed (Shaw and Jones, 2005). Smith's (1956) ideas about market segmentation and product differentiation form part of the marketing *management* school of thought, which was preceded by the marketing functions, marketing commodities and marketing institutions schools of thought. The marketing management school of thought focused on answering the pertinent question of the time - how marketers should market goods to customers. It was during the time of the origins of Smith's thinking that other important marketing ideas were formed. The most notable was the theory of a product life cycle, the marketing concept and the affirmation of the idea of a marketing mix (Shaw and Jones, 2005). Hunt (2011) reminds marketers – whether academics or practitioners – to recognise the development of marketing theory alongside its historical progression. The progression of marketing practice paved the way for an evolution in marketing thought and marketing theory. In a reflection on the validity of marketing as a professional field, MacInnis (2011) focuses on conceptualisations that shaped marketing thought; conceptualisation refers to a process of understanding a concept in an abstract way through identifying patterns (connections) and key core fundamentals. It requires all the skills for *envisioning* through divergent thinking skills, *explaining* through logical thinking skills, *relating* through comparison of different viewpoints and *debating* a concept through deductive reasoning skills. Research should confirm theory; the research agenda of marketing should not deviate from this essential requirement. It implies that all marketing constructs, such as the marketing concept, product life cycle and market segmentation, should adhere to continuous scrutiny of validity through the rigour of research that supports, disputes or refutes the constructs (MacInnis, 2011). In a similar tone Day (2011) expresses the sentiment that the fast pace at which complexity is introduced to the marketing field makes it almost impossible for marketing practitioners to keep up. One example is the turnaround in market feedback that occurred with the advent of social media. Before the era of social media, marketers struggled to access enough market information. Now marketers struggle to make sense of the flood of market information that defines social media (Day, 2011). Examples are cited of organisations that are too rigid to react swiftly to the fast pace of change that shapes the contemporary marketing environment. The fact that resources take a long time to develop emphasises the need to adapt faster to the pace of change. In Day's opinion, this demands from managers both vigilance and the capacity for rapid adjustment (Day, 2011). The situation described by Day (2011) complicates MacInnis's (2011) requirements to keep marketing relevant as a scientifically informed discipline. MacInnis (2011) observes that research that uses inductive reasoning – where individual observations are tied to higher order conclusions – seems to be sporadic in the marketing discipline. She recommends that the validity of marketing as a construct be strengthened through more research in which inductive reasoning confirms constructs (MacInnis, 2011). At the same time Sheth (2011) proposes that the practical application of marketing, as it is known in the context of industrialised economies, should be revised for developing economies, the argument being that emerging markets function completely different from established markets. Emerging markets are characterised by a shortage of resources, unbranded selling of consumer goods and underdeveloped infrastructure. These characteristics culminate in a system where marketers gain a competitive advantage through their ability to improvise with the few resources that they have, instead of owning an outstanding brand. Consumption is often preceded by a decision by consumers to either make it themselves or (if it can be afforded) buy it. What brand to choose from often does not enter the decision framework of consumers in an emerging market context. This puts the discipline advocated by McInnis (2011) to contextualise marketing theory with the backing from deductive reasoning in a different perspective. Part of Sheth's (2011) argument is supported by the anticipated growth in emerging markets. He quotes estimates from researchers that predict that by 2035 the gross domestic product from emerging markets will surpass that of economies from industrialised economies. The question posed by Sheth (2011) is whether marketing will shape these markets, or whether the characteristics of these markets shape marketing practice and theory. Coming back to the economic argument that Smith (1956) uses as a basis for his argument for market segmentation, Sheth (2011) argues that emerging markets are fragmented and consist of many small family owned businesses as competitors; this reduces opportunities to gain differential advantage, and consequently diminishes the economic returns perpetuated by market segmentation theory.

The key to gaining advantage from successful market segmentation lies in the ability to influence the price charged for a product or service because of the differences between competitors (perceived or real) created by marketers. Since market segmentation thinking is anchored in economic pricing theory, the suggestion is that more profit can be achieved in market segments where pricing levels can be manipulated in favour of the organisation (Hines and Quinn, 2005; Dibb and Simkin, 2008). Smith (1956) argues that these differences are locked up in any naturally occurring variances between production methods, product/service designs and innovations, quality and other factors that are influenced by differences in management talent and capabilities. From the market demand side, differences occur as a result of different needs regarding variety, exclusiveness or other aspirations. Layton (2009) reiterates that naturally occurring differences between competitors is a normal manifestation in a macro economic system where monopolistic competition (imperfect competition) occurs. This is due to differences in management skill, ability and reputation, which cannot be duplicated exactly between competitors. In support of Smith (1956) and adding to the list of factors that may influence demand (and subsequently price), Pindyck and Rubinfeld (2009) and McGuigan, Moyer and Harris (2017) mention factors such as:

- The natural tendency of consumers to consume more products and services. This results in markets tending to be undersupplied. Marketers that can stay at the forefront of satisfying this quest for more products and services may be able to influence the price that they charge for these goods.
- Different values placed on the same goods. This is referred to as consumer surplus. If one group of consumers is willing to pay more for the same good because they value it more, it represents a segment with an explicit characteristic for which marketers can charge more.
- Changes in markets' income levels. It is generally accepted that consumers' disposable income increases as income levels increase. Marketers' knowledge of the impact of rising

disposable income on consumer behaviour could result in favourable prices charged for their products.

- Changes in the amount spent on advertising and marketing by competitors. Advertising plays a role in providing information and shifting consumer preferences. If consumer preferences can be changed through advertising, marketers may be able to influence the price charged.
- When consumer tastes change. This may be due to several factors, including changes in technology. An example is the pricing of new technology where consumers are willing to pay more to become part of a group of early adopters of new technology. Again, this is an explicit attribute that marketers can manage in their favour.
- Differences in management skills and expertise. Marketers who are part of management teams that have good skills in analysing and predicting growth opportunities may be in a better position to influence price. Day (2011) supports this notion. He posits that organisations equipped to adapt to volatility and complexity of the market will be more resilient.

In each of the cases mentioned, it is possible to divide consumers into distinct groups, based on the characteristics of members of the groups. The division is based on differences in preference (Hunt, 2011).

Pricing theory subscribes to the notion that a pricing strategy has only one objective - to capture consumer surplus and to transfer it to the producer (Pindyck and Rubinfeld, 2009; McGuican, Moyer and Harris, 2017). According to Begg and Ward (2013), consumer surplus represents the difference between the price that a customer is willing to pay and the price that is charged by an organisation for a good. If a customer is willing to pay more for a good than the price charged, the difference between the two values represents consumer surplus. Because the value placed by different consumers on the same good differs, it creates opportunities for suppliers to charge different consumers different prices for the same good. This notion forms the basis for price discrimination. To design a pricing strategy based on differences in the value that consumers place on a good, managers need to be ingenious in how they use information about demand. As explained by Pindyck and Rubinfeld (2009), the ideal would be to have enough knowledge of each individual customer to know what he or she would be willing to pay (a customer's reservation price) and charge that. Since this ideal will be logistically difficult to implement, focusing on specific selected market segments makes it easier for managers to implement price discrimination strategies. This reasoning edged Smith (1956:4) to state that *"the rational selection of marketing strategies is a requirement for the achievement of maximum functional effectiveness in the economy as a whole".* In economic theory terms, market segmentation acknowledges several likely demand iterations under circumstances of imperfect competition market conditions. Market segmentation facilitates specialisation in serving a selected market segment's needs.

2.3 Market segmentation today

Currently market segmentation is a well-accepted part of the teaching of marketing theory. According to Tonks (2009), Frank, Massey and Wind published the first academic related market segmentation text of note in 1972. Later examples of leading marketing textbook authors are Staudt, Taylor and Bowersox (1976:76), whose discussion of the theory of marketing strategy includes the *"range of available marketing strategies that can be classified as segmented and non-segmented marketing"* and Warmke, Palmer and Nolan (1976), who dedicate a whole chapter in the textbook to market segmentation theory. Market segmentation theory from an Afrikaans textbook edited by Marx and Van der Walt (1989) and dating from 1989 indicates that the concept was widely adopted by marketing academia in other countries, including South Africa, by then.

Market segmentation principles are well-established components of marketing strategy and numerous marketing textbooks use theory to explain market segmentation. This is evident from general marketing textbooks such as Jooste, Strydom, Berndt and Du Plessis (2012) and Baker and Saren (2010). It is also taught in marketing textbooks that specialise in topics such as strategic marketing (Cravens and Piercy, 2013), services marketing (Wirtz and Lovelock, 2011), business-to-business marketing (Hutt and Speh, 2014; Makhitha, Cant and Theron, 2016) and international marketing (Pereault and McCarthy, 2006; Doole and Lowe, 2012). Entire textbooks are dedicated to market segmentation, for instance Wedel and Kamakura (2000), McDonald and Dunbar (2004), Dibb and Simkin (2008) and Dolnicar, Grün and Leisch (2018). Franke *et al.* (2009) confirm that the rationale behind market segmentation is a powerful and accepted marketing construct. It is discussed in almost every marketing textbook and implemented by marketing practitioners. This underscores the importance that the topic enjoys in marketing literature.

It is accepted that market segmentation, if done correctly, has the following advantages (McDonald and Dunbar, 2004; Jooste *et al.*, 2012; Schiffman and Wisenblit, 2015; Armstrong, Kotler and Opresnik, 2017; Dolnicar, Grün and Leisch, 2018):

- Recognising groups of similar customers can lead to a better match between segment needs and organisations' products, services and capabilities.
- The focus that accompanies market segmentation practice could lead to the development of profitable niche markets that can be dominated by a successful marketer. Market

segmentation often fails because marketers are trying to serve an amorphous market that is too broad.

- If managed strategically, segmentation could lead to the concentration of resources in target markets where marketers dominate. It forces the management of an organisation to reflect on their strengths compared to those of competitors.
- The development of unique marketing mixes (of which price setting is one) by marketers who have a superior understanding of market needs in target markets should lead to competitive advantage.
- Organisations that succeed in developing unique marketing propositions to target markets may position themselves as specialists in the industries in which they operate.
- It provides an opportunity for management teams to take stock of where their organisations are positioned currently, where they want to be positioned and how to get there.

These sentiments are echoed by Markey *et al.* (2007), who confirm that organisations that succeed at market segmentation strategy get three things right. These are:

- To broaden their appeal by narrowing their focus. By concentrating on selected profitable customers, organisations tend to harvest loyalty from existing customers before moving on to find new ones.
- To strengthen ties with existing customers by fine-tuning their value-added marketing proposition and constantly looking at methods to augment their capabilities to meet target customer needs in ways that will alienate competitors.
- To stimulate innovation by listening carefully to clues that point to changing needs of their target customers. This is especially important in markets where the results of customer satisfaction surveys may be out of date by the time that all the data for such a survey have been collected and processed (Markey, Ott and Du Toit, 2007).

Markey *et al.* (2007) add that according to their research defective market segmentation stunts profit growth, while successfully tailored products and services to target segments report annual profit growth.

McDonald and Dunbar (2004) state that the market segmentation process may have the further advantages of (1) promoting team-building amongst management teams, breaking down traditional functional silos when different departments need to coordinate their efforts to serve target markets and (2) assisting management teams to check their own logic when deciding on marketing approaches that will best carry the organisation forward.

2.4 Defining market segmentation

Market segmentation should be distinguished from just dividing the market into parts. According to Simkin (2008), managers routinely use trade sector based or product based customer groupings as "segments" and while this approach is often practised by business-to-business marketers, it is not what market segmentation means. Simkin (2008:464) adds that *"segmentation involves grouping customers so that those in one segment share common characteristics, purchasing behaviour, needs, usage and attitudes and are reasonably homogenous, while customers allocated to a separate market segment share a different set of such traits and behaviours"*. Dolnicar *et al.* (2012) warn that data deficiencies could lead to a random splitting of customers leading to vagueness in market focus instead of managerially relevant market segments. Simkin (2008) supports McDonald and Dunbar's (2004) view that most business-to-business marketing effort tends to be organised along product lines, resulting in combining products or services with specific industries as opposed to market needs. McDonald and Dunbar (2004) further distinguish between a market and a market segment. While product and service uses can be listed against a market, a market segment allows for the development of specific marketing strategies, making market segmentation a strategic, creative and iterative process that provides a foundation for new marketing strategies.

Market segmentation is often defined as the way marketers divide the broad market into smaller groups of similar customers (Hooley, Piercy and Nicoulaud, 2012). In a fairly historic opinion, Plank (1985) pointed out that even defining market segmentation was not that simple and that, at the time, there were at least two schools of thought that had shaped the definition of market segmentation. One school suggested that market segmentation was used as a *quantitative tool to analyse markets*, while the second implied that it was used to *decide on the allocation of resources* in the organisation to serve selected segments. While Plank (1985) illustrated his statement by highlighting the differences in defining market segmentation by two leading authors in the marketing field, these differences are not clear-cut. Plank's (1985) comparison of Kotler's definitions with those of Schiffmann and Kanuk are depicted in Table 2.2.

Table 2.2: Different definitions of market segmentation as discussed by Plank

Kotler's definition	Schiffmann and Kanuk's definition
"The subdivision of a market into distinct subsets of customers, where any subset can conceivably be selected as a target market to be reached with a distinct marketing mix". The definition suggests that market segmentation is an analytical instrument that paves the way for the selection of segments to target.	*"A process of dividing a potential market into distinct subsets of consumers and selecting one or more segments as a market target to be reached with a distinct marketing mix"*. Their definition suggests that market segmentation defines segments with the purpose of allocating resources to serve them – which is more than an analysis.

Source: Plank (1985)

Early in his career and prior to the development of numerous marketing textbooks, Kotler (1983) mentioned that segmentation was part of a process with three major stages: market segmentation, market targeting and market positioning (abbreviated as STP). In the segmenting stage, customers with similar needs and characteristics are grouped together in homogenous segments. Targeting involves determining the relative attractiveness of the identified segments and matching that with company resources. Positioning involves the development of marketing mix programmes that will match the requirements of customers in the targeted segments (Dibb, 2005). According to Kotler and Keller (2010), STP is the essence of strategic marketing, as it forms the foundation for strategic decisions on value creation for the market.

In a more recent text co-authored by Kotler (Armstrong *et al.,* 2017:198), market segmentation is defined as *"dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviours and who might require separate marketing strategies or mixes".* The subtle differences in the earlier and more recent definitions of market segmentation of Kotler support the notion of an evolution of the definition as alluded to by Plank (1985). Depending on the type of market that a firm focuses on (consumer market or business market), several segmentation bases could be applied to determine which market segment(s) should be selected and targeted. The outcome of segmentation is to *select and target segments*. It points to the segmentation process as analytical in nature and used for decisions about which markets should be selected and targeted. Armstrong, Kotler and Opresnik's (2017) definition of market segmentation suggests that it is a *technique*. Hiziroglu (2013) refers to this dimension as criteria orientated, which is meant to qualify segments (do they exist?) and to determine market segment attractiveness (are they worthwhile to pursue?).

Schiffman and Kanuk (2000), on the other hand, posit that segmentation is done so that the identification of needs and wants can lead to the development and promotion of specific goods and services. The outcome of segmentation is seen as the development of suitable products, services and promotions – thus planning for and allocating resources to meet segment needs. Their definition favours market segmentation as a *strategy*. Hiziroglu (2013) refers to it as the resource-orientated dimension.

Both Kotler and Schiffman are well-known throughout the marketing academic fraternity. Kotler's authorship commenced in 1967 with the now famous textbook "Marketing management: analysis, planning and control" which is currently in its 14th edition. Schiffman and Kanuk's authorship started with a textbook on "Consumer behaviour" in the late 1970s. While Schiffmann and Kanuk collaborated until edition 10 of their original textbook, the latest edition of the text was authored by Schiffman and Wisenblit (2015). The market segmentation definition provided in this edition does not deviate from that mentioned in Table 2.2. It still reads that "*Market segmentation is the process of dividing a market into distinct subsets of consumers with common needs or characteristics and selecting one or more segments to target with a distinct marketing strategy"* (Schiffman and Wisenblit, 2015:30).

Plank's (1985) view on differences in market segmentation definitions is echoed by Casabayó, Agell and Sanchéz-Hernandéz (2015), who point out that market segmentation does not have a uniquely accepted definition and that the concept could therefore be understood in different ways. They argue that while grouping the market into segments is a simple enough theory to understand, the concept of market segmentation is understood differently. Their research addressed another segmentation technique – without confirming its application in practice. This alludes to market segmentation as a *technique* to identify market segments rather than as part of marketing strategy in which resource planning serves the selected market segments with tailor-made marketing solutions.

To further highlight differences in the definition of market segmentation, definitions as provided by different authors are shown below:

- Smith (1956) "*Market segmentation consists of viewing a heterogeneous market (one characterized by divergent demand) as a number of smaller homogeneous markets in response to differing product preferences among important market segments."*

- Lancaster & Reynolds (2005) "*The process of breaking down the total market for a product or service into distinct sub-groups or segments, where each segment may conceivably represent a distinct target market to be targeted with a distinctive marketing mix."*
- McDonald (2007) *"Grouping customers within a market that share a similar level of interest in the same, or comparable, set of needs."*
- Solomon & Stuart (2008) "*Segmentation is the process of dividing a larger market into smaller pieces based on one or more meaningful shared characteristics."*
- Baker & Hart (2008) "*Segmentation is the ability to recognize groups of customers who share the same, or similar, needs.*"
- Best (2009) "*Grouping customers into segments on the basis of similar needs and differentiated demographic characteristics."*
- Dibb *et al.* (2012) *"Market segmentation is the process of grouping customers in markets with some heterogeneity into smaller, more similar or homogeneous segments."*
- Shimp & Andrews (2013) "*Market segmentation is the act of dividing a market into distinct groups of customers who might require separate products and/or marketing mixes."*
- Schiffman & Wisenblit (2015) *"Market segmentation is the process of dividing a market into subsets of consumers with common needs or characteristics. Each subset represents a consumer group with shared needs that are different from those shared by other groups."*

From these definitions the purpose of market segmentation includes the following:

- To break down a large market into smaller groups.
- To arrange smaller markets according to homogenous needs and characteristics.
- To distinguish groups based on meaningful differences, while smaller groups must share in-group homogenous needs and characteristics.
- To enable the organisation to make sense of the smaller groups and use it to their advantage.

Looking at these definitions, it is not obvious why a large market should be subdivided into smaller segments. Market segmentation as a process (or something to do) enjoys priority in the definitions. Only the definition of Lancaster and Reynolds (2005) suggests that there is a reason for segmenting the market: to target segments with specific marketing propositions. Some definitions allude to the objective of segmentation, such as finding segments that may share the same characteristics. The implication of this act of market segmentation is seemingly to isolate a segment to focus on for economic gain.

McDonald and Dunbar (2004:15) define market segmentation as *"…the process of splitting customers, or potential customers, within a market into different groups, or segments, within which customers have the same, or similar requirements satisfied by a distinct marketing mix."* Their definition attempts to describe that a market represents a need (such as transport) and that a market *segment* refers to very specific needs (such as luxury vehicles that assume financial standing) together with other elements of a marketing mix such as financing and vehicle dealership characteristics. Later, McDonald (2007) explains that taken to the extreme, each individual customer could be a unique segment, as individual organisations' needs differ. The Schiffman and Wisenblit (2015) definition above also suggests that segments are associated with shared needs.

The American Marketing Association (2015) states that *"Market segmentation is the process of subdividing a market into distinct subsets of customers that behave in the same way or have similar needs. Each subset may conceivably be chosen as a market target to be reached with a distinct marketing strategy."* This definition provides a clear reason for market segmentation – targeting segments and reaching them with distinct marketing strategies. The American Marketing Association is well-known and acknowledged by marketing associations elsewhere; it is characterised by marketing education and research.

Other marketing associations (Asian, Canadian, European, Indian and British) provide membership, professional development, information sharing and recognition of marketers' accomplishments and services; a definition of market segmentation could not be found from the information shared.

These differences in the definitions of market segmentation suggest divergence in academics' views of market segmentation. According to the Oxford Dictionary (2017), the word definition means *"An exact statement or description of the nature, scope, or meaning of something".* It implies that a difference in definition of the same concept results in a difference in meaning. This has a knock-on effect on the way that segmentation is interpreted and how its principles could be taught by marketing academics and applied by marketers. This resonates with Wake's (2015) opinion that the absence of a unified definition may indicate an absence of methodological rigour to craft a meaningful definition.

Wedel and Kamakura (2000) support Smith's (1956) interpretation that market segmentation is a management conceptualisation of a portion of the market rather than the dividing of a market based on customer characteristic data. Hunt and Arnett (2004), on the other hand, believe market segmentation often refers to statistical analysis to identify groups of potential customers. Market segmentation *strategy*, however, refers to a strategic process that has at least nine actions. They are:

1. Identify the bases for segmentation (geographical, demographical, psychographic and/or behavioural).
2. Use the bases to identify potential market segments.
3. Develop combinations (or portfolios) of segments that can be developed into strategic alternatives.
4. Decide which resources will be required for each strategic alternative.
5. Assess the availability of existing resources.
6. Select an alternative(s) that targets specific segment(s).
7. Secure the resources that will be required for the target market(s).
8. Develop positioning plans for the marketing offerings for each segment.
9. Develop marketing mixes that will be appropriate for each segment.

It is clear from the actions in Hunt and Arnett's (2004) description of a market segmentation *strategy* that a strong emphasis is placed on finding and allocating the right resources to execute segmentation correctly.

In conclusion, the essence of the different definitions is that market segmentation is a process that aims to identify similarities in one segment that are different from similarities in another. The market segment homogeneity could be found in any of the many different segmentation bases such as demographic features, behaviour, needs or any other combination of characteristics that makes sense to marketers. It is further expected that customers within a segment would respond similarly to a marketing value proposition. In turn this should lead to more effective allocation of a business's resources and in that way increase organisations' competitive advantage. It ties in with Smith's (1956) rationale that market segmentation should be based on matching spontaneous similarities of groups of customers with the economies of scale derived from focusing company resources on the supply of products and services in selected (homogenous) segments.

2.5 Strategy, marketing strategy and the role of market segmentation in marketing strategy

The discussion that follows places marketing strategy in perspective. Since market segmentation, targeting and positioning are part of a formal marketing strategy process (Cravens and Piercy, 2013; Armstrong, Kotler and Opresnik, 2017), it is discussed in the wider context of business strategy, as is the issue of where marketing strategy fits in the broader business strategy hierarchy.

2.5.1 The role of strategy in organisations

Why should organisations have strategies? While it is acknowledged that the right circumstances could play a role in establishing a business, it takes a well-planned, communicated and implemented strategy to provide the much-needed direction to outperform competitors on aspects such as market share, profitability, growth and long-term sustainability (Thomson *et al.*, 2018). Long-term and sustainable success is seldom achieved through a random process. Well-planned strategies that are endorsed by clear and consistent long-term goals, a thorough understanding of the organisations' competitive environment, an objective evaluation of resources and effective implementation are the strategic factors that elevate organisations to greater achievement (Grant, 2013). A clear strategy is regarded as the blueprint for the direction in which an organisation should evolve. Since all competitors are exposed to the same set of business concepts and management techniques, strategic decisions and how well they are executed distinguish well-performing organisations from those that just want to do a little better than in the past. A clear strategy will answer questions from stakeholders, such as how to compete profitably, how to attract customers, how to position the company, how to identify and explore new opportunities and how to respond to changes in the organisation's environment (Grant, 2013; Armstrong, Kotler and Opresnik, 2017; Thomson *et al.*, 2018).

It is widely accepted that management teams must deal with ever changing environmental factors to be able to meet market needs. These changes influence what markets need, how they acquire what they need and how organisations should adjust to provide for the changing needs (Grant, 2013; Thomson *et al.*, 2018). This principle supports the only objective of any organisation, whether it be a for-profit or not-for-profit entity – and that is that it can only survive in the long term if it meets the needs of its stakeholders (Hooley et al., 2012; Cravens and Piercy, 2013; Armstrong, Kotler and Opresnik, 2017). Grant (2013) adds that not-for-profit organisations, particularly those that operate in a competitive environment, need the discipline of sound decision making, coordination of resources to meet organisational objectives and implementation capability – important pillars of strategic management in a profit- making milieu. Constant changes in any organisation's environment necessitate an ongoing adjustment of organisational activities, resources and capabilities to be able to adapt to the fluctuations. At the heart of these changes lies the ability of management to develop strategies that match the capabilities of the organisation to meet the changing requirements of its markets. A suitable strategy entails being different from and superior to rivals (Campbell *et al.*, 2014; Thomson *et al.*, 2018). Differentiation lies at the heart of Smith's (1956) argument in favour of market segmentation and differentiation. Differentiation is done to secure a portion of market share, while segmentation facilitates depth of market position in successfully targeted and penetrated markets.

According to Thomson *et al.* (2018), the five most frequently used strategic approaches to set an organisation apart from its competitors can be summarised as follows:

- A low-cost supplier strategy which requires an organisation to manage cost in such a way that it becomes the preferred supplier based on the low prices charged for its goods. The same strategy can be applied to a specific (niche) market. It is then called a focused low-cost supplier strategy. These two strategies are essentially based in the pricing strategy of a marketing strategy (Cravens and Piercy, 2013). The effectiveness of such strategies lies in the ability to manage a low cost value chain – the only way in which these strategies can be sustained (Cravens and Piercy, 2013). Markey *et al.* (2007) suggest that this could also mean employing approaches such as Six Sigma to rid the value chain from any customer service defects; Six Sigma is a continuous improvement technique that focuses on cost reduction and service improvement (Gupta, Sharma and Sunder, 2016).
- A differentiation strategy which relies on the ability of an organisation to make it stand out amongst rivals through a difference that is attractive to the market. The difference could be in quality, innovation, technological ingenuity or any other factor that the market finds attractive. The differentiation strategy can also be applied to a niche market. It is then called a focused differentiation strategy. Differentiation strategies rely on continuous innovation that provides value to the market (Hooley, Piercy and Nicoulaud, 2012).
- A best-cost supplier strategy which refers to an organisation that succeeds in consistently providing the best value for money options to the market.

In all cases mentioned above, strategic effort relies on employing capabilities, whether cost or innovation management, that cannot be matched by competitors. An important condition is to do this in a sustainable way (Thomson *et al.*, 2018). Sustainability refers to financial performance as well as the ability to compete in a way that makes it difficult for rivals to match or beat any advantage. Grant (2013) even likens business strategy to a war situation, where the only objective of developing a strategy is to outmanoeuvre and destroy an enemy. He hastens to add that business strategy is not as aggressive, but rather aimed at limiting competitors' ambitions (Grant, 2013).

Where does a marketing strategy fit into the hierarchy of strategic decisions? The strategic progression is most often cascaded down from a corporate to a business to a functional and lastly to an operational level. Figure 2.2 illustrates a very typical strategy-making hierarchy in organisations.

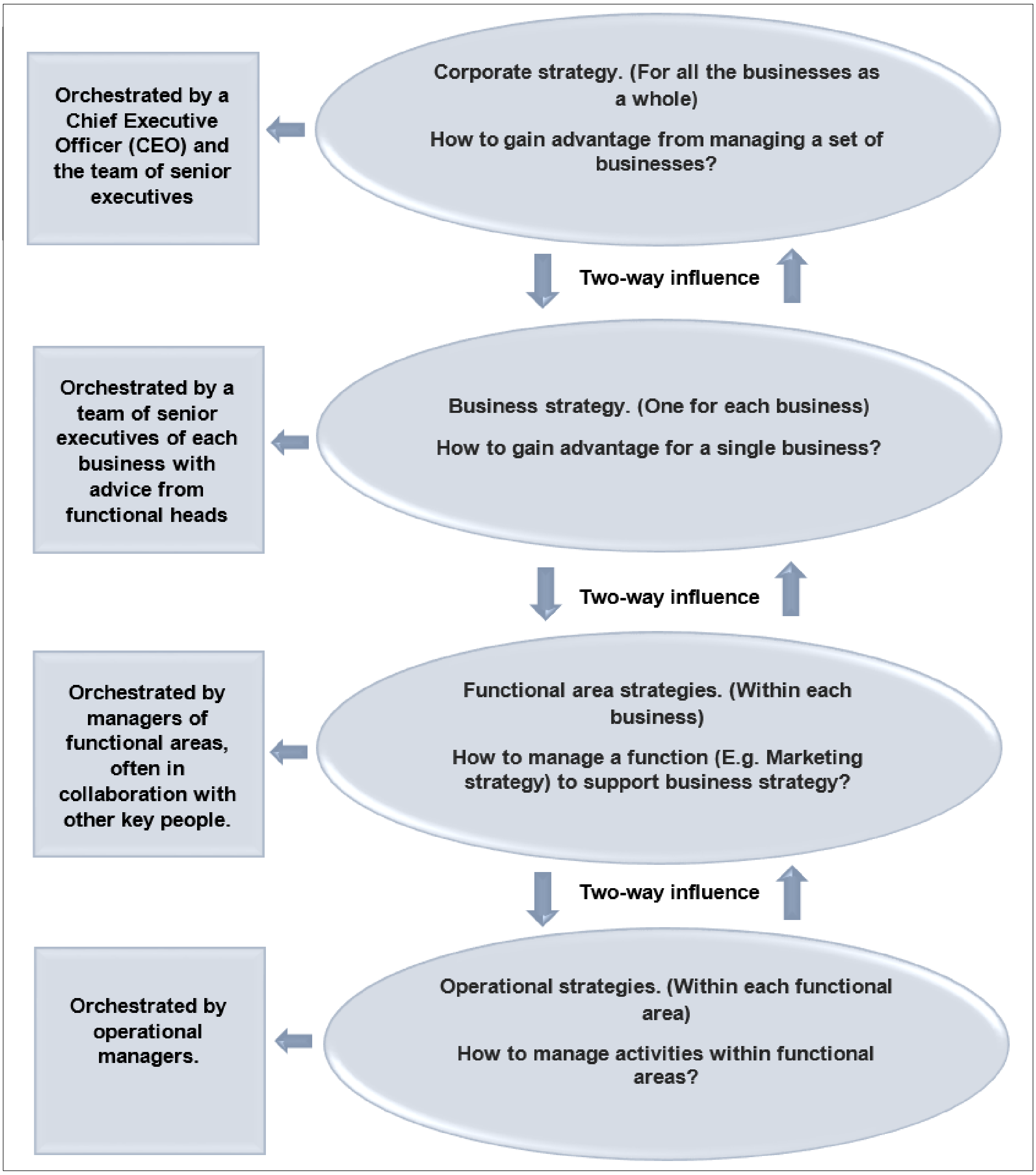

Figure 2.2: A strategy-making hierarchy

Source: Adopted from Thompson, Strickland and Gamble (2018)

Figure 2.2 depicts a theory of corporate strategy making hierarchy. It often happens that the corporate strategy and business strategy processes collapse into one level, especially if the company only has one business. In such a case, the first two levels shown in Figure 2.2 will become the same level of the hierarchy. The corporate strategy deals with high-level strategic direction, such as what businesses or markets a company should invest in and whether these investments should be managed as separate businesses (Campbell *et al.*, 2014). High-level decisions include strategies on how to add value to a portfolio of business (or at least avoiding value destruction), which sources of value addition should be pursued and how to structure the business divisions in a large corporate environment. According to Campbell *et al.* (2014), the only guide that is used to make corporate level strategic decisions is whether value is added or not. The higher the potential for an individual business to add value to the corporate setup, the better. Conversely, the higher the chances of losing value for the larger corporate system, the less likely it is that the business will be kept in the portfolio of businesses. From a corporate level, value is added to businesses through appointing the most competent managers, improving business strategies, setting business objectives, providing technology, cultivating a network of clients, securing financing, building the brand or other expertise that may not be available at the business level. Armstrong *et al.* (2017) emphasise that the broader corporate strategy should be customer focused. It goes without saying that decisions on the corporate and business strategy level are best taken by a team of experts in the specialist fields of financial, operational, human resources, marketing and technology managers (Thomson *et al.*, 2018).

2.5.2 The role of marketing strategy in organisations

"Marketing is the activity, set of institutions and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large" (American Marketing Association, 2015). This generic definition of marketing is shared by authors from recent textbooks, such as Schiffman and Wisenblit (2015) and Armstrong, Kotler and Opresnik (2017).

While corporate strategic goals are habitually set as marketing related objectives, a marketing strategy itself is formulated on the functional area strategy level (refer to Figure 2.2).

Figure 2.3 illustrates the differences between corporate, business and marketing strategy.

Figure 2.3: Corporate, business and marketing strategy

Source: Adapted from McDonald (2007)

Corporate strategic objectives may include marketing related aspects such as gaining market share, providing top-class product/service quality, offering a broader portfolio range than competitors, enjoying a broader brand appeal, getting products/services to the market ahead of competitors and generating sales that exceed those of competitors. The corporate strategy domain deals with an overall plan for the business or a set of businesses when it is a multi-business organisation (Thomson *et al.*, 2018). The goal of corporate strategic planning is long-term survival. In a sense, a broad market will always be segmented to correlate with the strengths of an organisation, as it is defined by its mission statement. The foundation of any marketing plan relates with a mission statement that answers the foundational question – "What business are we in?" (Lamb, Hair, Joseph and McDaniel, 2012). Grant (2013) explains that corporate strategy intends to define the scope of an organisation in terms of the industries and markets in which it will do business, while business strategy is concerned about successfully competing in a chosen industry or market. Choosing an industry or a market correlates with the principle of market segmentation: to select specific portions of a broad market to participate in for economic gain. This view, incidentally, was shared as early as 1989 by authors such as Greenley, who posited that marketing strategy was not a stand-alone or random process, but rather backed by established management practice with historical roots (Greenley, 1989).

A thought-provoking opinion about marketing as a modern-day institution, instead of a mere organisational practice, is that of Atik and Firat (2013). Using fashion as a metaphor for something that permeates contemporary society, they argue that marketing, like fashion, is a process of social infusion. Historically fashion was something that trickled down from an upper social class to a society that commoditised it through adoption. Mass production made fashion available at all price points, which triggered a new cycle of fashion from its originators to maintain differentiation. Today occurrences in society, such as anti-war sentiments, economic downturn, political turmoil and religious developments, inspire fashion innovations. Modern-day markets want independence, but trust marketing activities to assist in collecting, analysing and interpreting information (from changes in a macro environment) and predicting how life will develop, thus partnering with marketing by association as an institution in social change (Atik and Firat, 2013).

Functional strategies – such as a marketing strategy – deal with the management of functions within a business. The close alignment of corporate strategic objectives with market related objectives is indicative of the important role that a marketing strategy plays in achieving corporate goals. A marketing strategy represents the logic by which a company creates customer value and achieves profit (Armstrong, Kotler and Opresnik, 2017). According to Tadajewski and Jones (2014), the substance of a successful marketing strategy lies in the ability of a marketing manager to understand customers in selected market segments better than any competitor. Marketing lowers organisational risk by strengthening its research and development and marketing capability (Sun and Price, 2016). Sun and Price's (2016) research showed empirically that although reducing risk is normally associated with improvements in financial performance, advancing the research and development and marketing capability of organisations plays an important role in decisions about capacity investment. Marketing facilitates the ability to allocate limited resources (through market segmentation, targeting and positioning) to targeted markets where the company has a superior strategic fit. While Dibb *et al*. (2014) acknowledge that the roles of strategic management and marketing are not as well defined as those of other functions - such as financial management - marketing academics and practitioners agree on marketing practices that are specific to marketing management. The research of Dibb, Simões and Wensley (2014) was in response to, inter alia, a Deloitte report (Deloitte Consulting, 2007) that identified a void of common understanding of the contribution of marketing to organisations. Their research provided a clearer picture of the role and the value of marketing in organisations and sought to formulate guidelines on the kind of management models that should be taught at business schools. Using a combination of qualitative and quantitative research, they focused on the micro-level marketing practices that describe marketers' role and responsibilities (Dibb, Simões and Wensley, 2014). Their findings can be summarised as follows:

- Marketing's role in achieving organisational objectives is a common theme.
- Marketing textbooks (Armstrong and Kotler, 2015; Schiffman and Wisenblit, 2015) generally identify market orientation as the management philosophy that strongly associates with marketing. It is also how organisations implement the marketing concept. The marketing concept refers to reaching organisational objectives through market needs analysis and satisfying needs better than competitors (Armstrong and Kotler, 2015).
- In the context of this part of the discussion, it is important to note that the *strategic role of marketing includes market segmentation*, market targeting and brand positioning activities. These are regarded as strategic dimensions of the marketing process.
- Other marketing dimensions include business/ marketing planning and customer management. Since these activities are regarded as strategic in nature, the earlier opinions of researchers such as Wood *et al.* (2000) and McDonald and Dunbar (2004) that strategic marketing often relies on the inputs from management teams rather than a marketing manager alone, are supported.
- Activities that relate to specialist marketing roles refer to liaison with advertising agencies, development of brand plans and distribution channel activities such as in-store promotions (Dibb, Simões and Wensley, 2014).

Day (2011) cautions that the development of marketing strategy should not be a static process or an extended budget planning exercise. To carry on with tried and tested marketing strategies may lead to a strategic disadvantage. Marketing strategy, he adds, should exhibit the elements of true strategic thinking, which is recognised by imaginative re-thinking of existing business models that prepares the organisation for alternative futures (Day, 2011). Allocation of resources, according to McDonald and Dunbar (2004), is a function that is best shared by the management team, rather than performed by an individual such as a marketing manager. It is for this reason that decisions taken in a context of marketing strategy should be game changers from a corporate strategy viewpoint. These decisions include market segmentation, market targeting and market differentiation decisions (Hooley, Piercy and Nicoulaud, 2012; Cravens and Piercy, 2013; Armstrong, Kotler and Opresnik, 2017). While the contribution of marketing to corporate success has long been an issue of debate amongst several researchers, Jansen van Rensburg *et al.* (2012) found that most South African organisations used market segmentation as a point of departure for their marketing strategies.

Their research focused on the application of marketing strategy by South African firms. According to them, most firms surveyed fulfilled the requirements prescribed by researchers to qualify as organisations applying strategic marketing principles. These are market orientation (expressed through customer insight) and applying segmentation, targeting and positioning as a condition for marketing strategy. Most respondents also indicated that their financial performance was above average compared to that of competitors in their industry. Their analysis indicated that customer insight was the most significant contributor to financial results. These findings agree with those of Patsiotis *et al.* (2012), who concluded that the insights gained from selected segments provided a firmer basis for the development of effective marketing strategies. Jansen van Rensburg, Venter and Strydom's (2012) research was based on responses from larger organisations (an average of 1 483 employees per company) in the manufacturing, trade and services industries in South Africa. The 167 respondents constituted participants from manufacturing, services and trade organisations. Their analysis did not discriminate between business-to-consumer and business-to-business organisations. They concluded that it was important to use the process of segmentation to promote customer insight and that these insights were the drivers of marketing strategy success (Jansen van Rensburg *et al*. 2012).

Smuts (1988) developed a generic marketing strategy management process; he asserted that a marketing strategy should be a set of decisions about the future of an organisation. His research focused on the development of a marketing management system for South African marketing managers after he had found that South African marketing executives did not always comprehend the logic behind a practical process for strategic marketing management. He further found that these executives spent insufficient time on strategic marketing management, which included market segmentation. He suggested a practical framework for strategic marketing management consisting of sequential decisions. These decisions can be summarised as follows:

- Decision 1. Formulating the business mission. With reference to Figure 2.2, an organisation's mission governs the business mission. In taking decision 1, the business management group should agree on the basic needs that will be satisfied by the business.
- Decision 2. Identifying the market segments. Once the management team has clarity on the needs that will be satisfied, they should decide on the *market segments* in which the needs will be satisfied.
- Decision 3. Deciding on the product and service portfolio that should be offered to satisfy the needs in the different market segments.
- Decision 4. Reaching agreement on the market potential of each product/service in each market segment. Smuts (1988) defines market potential as the effective demand for the

products and services in a current year. Market research is often required to confirm market potential. Once the market potential estimate is known, the business should also calculate its current market share, which would be a percentage of market potential.

- Decision 5. Setting market objectives. The previous decision, which clarified the market potential as well as the business's current market share, provides the platform for this decision. Marketing objectives could be set for sales, profit, market information, market share or any other aspects that seem important for achieving the goals of the organisation. Since these decisions are part of a marketing strategy exercise, objectives are typically set for the next financial year. It is important to note that these objectives should be defined for each market segment that will be targeted.
- Decision 6. Crafting a suitable marketing plan for each market segment. The marketing mix elements are combined and interwoven such that they ensure that marketing objectives are met.
- Decision 7. Defining suitable measurements of success for the marketing strategy. These measurements should guide management in gauging to what extent the marketing objectives have been met.

While Smuts's (1988) sequential step-by-step management decision methodology for the development of a marketing strategy evolved out of an identified need for a marketing management system that could take care of marketing strategy and planning specifically, this approach seems to be a generic guideline for formulating marketing strategy. For instance, Greenley *et al.* (2004) confirm that marketing strategy planning takes place in a dynamic world. A systematic approach to marketing planning is required, but it should be augmented by an understanding of the management processes of decision making and how organisations should address market change (Greenley, Hooley and Saunders, 2004). The recommendations of Greenley, Hooley and Saunders (2004) suggest that the marketing planning process is as dynamic as the environment in which it happens – therefore not an event, but rather a process. Cravens and Piercy (2006) assert that a marketing strategy consists of activities classified into analysis, strategy development and strategy implementation. According to Greenley *et al*. (2004), marketing strategy requires taking decisions to pursue market opportunities. An interesting approach to marketing planning is suggested by Ardley (2006); he proposes that managers could benefit from storytelling to do marketing planning. His suggestion comes after acknowledging that too many researchers believe that marketing planning fails to capture the way in which people naturally interact with their own environment. Analysis activities rely on ongoing information that flows from external and market environments as part of the evaluation of the desired performance that was set through objectives. It is regarded as a given that market opportunities change as an organisation's environments change. Analysis should reveal whether the organisation still focuses on the right markets (requiring market segmentation), what competitors are doing and whether the course set by a marketing strategy is still sound. Ardley (2006) posits that managers are also consumers. They therefore interact with the market as strategic planners as well as consumers who have stories about their unmet needs, service joys and frustrations, changes in their own spending patterns and other dynamics that could affect the organisation's future reality. It therefore seems logical that a marketing plan should be in storytelling format. He urges managers to accept that the planning process is influenced by these stories because they form part of an experienced reality (Ardley, 2006). In similar vein Moutinho and Southern (2010) refer to "market sensing", meaning that the market is monitored continuously for changes in customer needs and competitor intentions. This is done through an inflow of information from diverse sources such as salespeople, customer complaints systems, repair departments or other sources that are in close contact with the market and thus well positioned to sense any recurring themes in market sentiment. Supporting these opinions, Hooley *et al.* (2012) and Armstrong *et al*. (2017) subscribe to an approach to marketing strategy that starts with defining a marketing mission through an analysis of the environment in which it wants to operate. The process then evolves to the development of marketing strategy, planning of a suitable marketing mix and implementation and measurement of effort. Figure 2.4 explains the process visually.

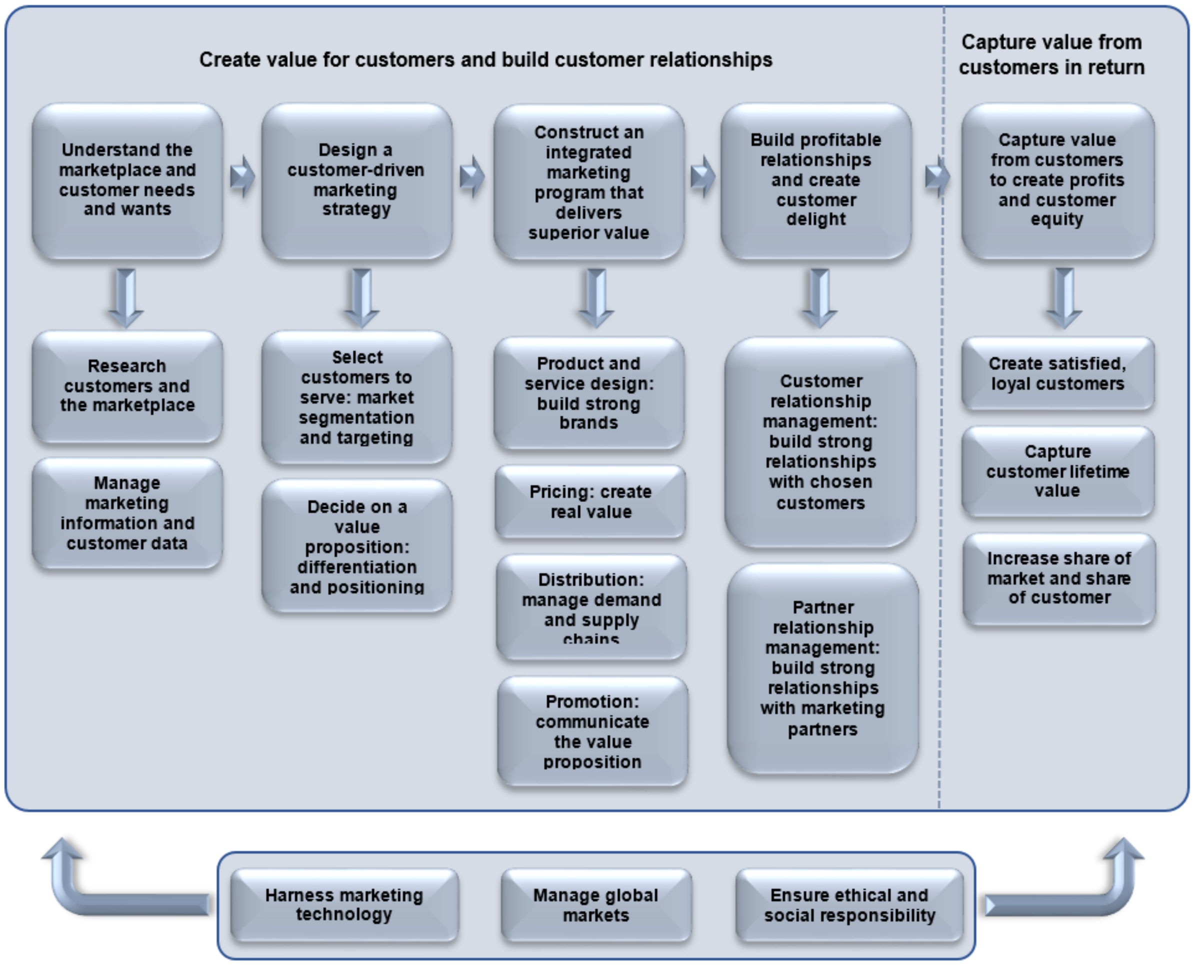

Figure 2.4: A marketing strategy process

Source: Armstrong, Kotler and Opresnik (2017)

Figure 2.4 depicts an expanded marketing management process. There are activities that support each of the main activities in the marketing strategy process. For instance, doing market research and managing the marketing information system underpin understanding the marketplace and customer needs and wants.

Market segmentation, differentiation and positioning facilitate the designing of a customer driven marketing strategy (refer to Figure 2.4). The strategic importance of the roles of market segmentation, differentiation and positioning can be deduced from their position in the depicted process. After having defined broad market needs through research, management should pair the business capabilities to respond to the needs of specific market segments, based on an analysis of the best economic opportunities emanating from the characteristics of the defined segments. As motivated by McDonald and Dunbar (2004), marketing's contribution to the success of the business (economics of operations, provision of services, distribution success) is determined by the insights gained by market segmentation. It supports Smith's (1956) motivation for adopting market segmentation as a strategy to address the economies of scale that can be realised if production is focused on selected target market segments. The detail embedded in the description of different market segments provides the foundation for the remaining activities in a marketing strategy. A market segment represents a group of customers that respond in a similar way to the marketing value proposition that is developed for that market segment. As accentuated by authors such as Hooley *et al.* (2012), Cravens and Piercy (2013) and Armstrong *et al.* (2017), this value proposition is closely aligned with a business's capabilities. If market segments are not defined accurately and the business's capabilities do not match a market segment's needs, management efforts to differentiate, position and develop integrated marketing programmes to capture value from the market could be in vain. It goes without saying that market segmentation, as a strategy, will only be desirable if it leads to superior financial performance.

It is important to note that the marketing strategy process does not provide insights into management qualities such as eagerness to pursue opportunities, appetite to challenge competitors, ability to innovate, possessing a learning orientation, moulding a market orientation or managing resources to cater for the flexibility required for agility (Greenley *et al.*, 2004). While these management traits are regarded as desirable and relevant, this discussion will stay focused on the marketing strategy decision-making process. Sheth (2011) has agility in mind when he reminds marketers that they should be open to adjust their assumptions about traditional marketing theory considering the growing importance of emerging economies. As an example, he mentions the understanding, teaching and application of the theory of new product development. In the context of emerging economies, the current view of innovating a technology and offering it as a high-priced premium introduction before it becomes a value brand, must be replaced. In an environment of value hungry emerging economy customers, innovation needs to start with anchoring a brand to a low price position and then elevating it to a value position before moving it to the premium position (Sheth, 2011).

2.5.3 The role of market segmentation in marketing strategy

The role of market segmentation as an essential part of the marketing strategy has been hailed by many researchers and academics as the backbone of modern-day marketing. When earlier research could not verify the value of segmentation related to product positioning, competition and marketing success, Dolnicar *et al.* (2005) used a market simulation approach that allowed for selected strategic alternatives in a controlled simulated environment. Their findings supported the theoretical position that segmented and targeted markets were successful in highly competitive markets. As for the advertising saturation for segmented markets, they found that increased marketing budget might be counterproductive, as target markets reach advertising saturation earlier than non-segmented markets. Their research also revealed that organisations tend to survive economically in low competitive environments, even if they do not use market segmentation as strategy. Under such market conditions, a segmentation strategy could be counterproductive (Dolnicar, Freitag and Randle, 2005). Dibb and Simkin (2008) proclaim that market segmentation is the cornerstone of marketing because its application assists in bridging the gap between diverse market needs and limited company resources. Clarke and Freytag (2008) posit that market segmentation can be applied to find answers to both strategic and operational issues. Strategic questions deal with choices on the best markets to be in –aligning with corporate strategy. Operationally, market segmentation can be employed to find answers to ways to fine-tune marketing mix decisions. Markey *et al.* (2007) state that it is rare to find an organisation that can cater for all market needs in this modern era. Most companies compete in an environment where markets are saturated, and competition is strong. Add limited resources to this situation and it is apparent why focus and specialisation play an important part in the economic survival of organisations. Hassan and Craft (2012) confirm that many researchers agree that the resources invested in doing market segmentation research and implementing it are justified when considering the contribution, it makes to brand positioning and performance. Kotler and Keller (2010) claim that segmentation, targeting and positioning are essential for marketing strategy, as they form the basis for value creation decisions. Weinstein (2014) states that companies could carve a strategic niche for themselves when they know which markets to target – a decision that flows from market segmentation. He cites examples of companies that used market segmentation to their benefit, such as a supplier of medical diagnostics equipment which identified two business-to-business market segments based on their differences in adoption rates of innovation. Focusing on early adopters resulted in selling its product to a market segment which was willing to pay a premium for the competitive edge that they could gain from using the latest technology. Weinstein further shares research to the effect that mass marketers who use a one-size-fits-all marketing solution are not particularly successful compared to marketers who follow a niche marketing approach. Marketers who select and service only one segment are the most successful (Weinstein 2014). Thoeni *et al.* (2016) have a slightly different opinion. They state that the choice of number of market segments is primarily a function of resource availability. Companies with limited resources are forced to make significant trade-offs between market potential and what is possible.

Shannahan *et al.* (2016) demonstrate how a novel way of market segmentation could lead to meaningful insights regarding customers and sales personnel's communication interaction and how differences in the interaction could be used for market segmentation. Their research focused on the degree of positive work relationships formed between customers and sales staff in their communication interaction. Borrowing from organisational communications theory, they discovered that customers can be classified based on their pre-sales social behaviour that supports the salespersons' selling task and, in that way, enhances salesforce productivity. Some interesting findings indicate that customers can be classified into "Best", "Typical" and "Worst" segments, based on customer organisational citizenship behaviour (COCB) –the level of positive interaction between customers and salespeople in a relationship-selling context. Customers with positive, pro-social characteristics and behaviours are regarded as "Best" customers. This social construct allows for the use of market segmentation as a strategic instrument to gain and use customer information to drive company performance. The research from Shannahan *et al.* (2016) indicates how market segmentation principles are combined with theories from other disciplines to segment and select customers for improved buyer/seller relationships. This novel segmentation approach not only helps the sales force to become more productive but can also confirm strategic decisions such as identifying stronger service or solution orientations with the assistance of the "Best" customers. It provides a form of reflection on the words of Mintzberg *et al.* (1998:8): *"Physicists' descriptions of quantum mechanics and mathematicians' theories of chaos may provide insights into how organizations change."* Mintzberg *et al.* (1998:8) emphasise the important role of synergy between theories from different disciplines.

Market segmentation, if properly done, should answer questions such as which features and benefits are important to customers, which customers are willing to pay higher prices and what products or services should be developed for future customer needs (Yankelovich and Meer, 2006). Dibb and Simkin (2008) posit that, from a strategy perspective, market segmentation forces organisations to evaluate customer profitability and take decisions on where and how they should compete. Focusing on specific selected target market segments allows organisations to make the best use of their scarce resources. It also allows for competitor scrutiny, another strategic necessity to keep a sustainable competitive advantage. On a practical application level, the research from Harrison and Kjellberg (2010) proved that market segmentation offers opportunities for focused interaction with clients, making clients part of a process of innovation. This assisted the management of the case study organisation to gauge the benefits that customers got from the innovation first-hand. They could also construct the identity of their markets (Harrison and Kjellberg, 2010). The value proposition to target segments, from the product itself to after sales service – which included specialist training - was developed through interaction with customers.

Thoeni *et al.* (2016) confirm this concept: managers that allocate resources to effective segmentation, thus efficient execution of the segmentation strategy, create a demand driven marketing approach. It signals to marketing managers that they require a deep understanding of what creates customer value. This cycle is ongoing - better customer insights can generate deeper strategic marketing thinking, leading to products that meet customer needs even more. Tuma, Decker and Scholtz (2011) point out that market segmentation, if done well, adds value to strategic decisions such as which markets to focus on and which new market opportunities to explore and pursue. Ernst and Dolnicar (2017) reiterate that marketing researchers and practitioners use market segmentation to gain knowledge and market insights on which marketing strategy is based. They advise marketers to ensure that they avoid segmentation mistakes caused by unstructured data. More details of their research are shared under the discussion for market segmentation methods.

According to marketing strategists McDonald and Dunbar (2004), a market segmentation strategy should start with knowing the marketing objectives of the company. They explain that segmentation is only complete after having successfully implemented strategies that capture the benefits that target markets promise. Marketing objectives ensure that the management team knows which strategies should be followed. In this regard, the range of marketing objectives between choices of technological newness and market newness is vast. To elucidate this, the theory of Ansoff, as explained by Armstrong and Kotler (2015), is discussed shortly (see Figure 2.5 below). Armstrong and Kotler (2015) explain that an organisation's competitive situation oscillates between two dimensions, namely product and market. Within these two dimensions, there are four possible strategic alternatives.

Figure 2.5 explains the options.

Degree of market segment newness	**Degree of technological newness** **Current product/service**	**New product/service**
Current market segment	**Market segment penetration**	**Product development**
New market segment	**Market segment development**	**Diversification**

Figure 2.5: The Ansoff matrix

Source: Armstrong and Kotler (2015)

Since there are degrees of technological and market segment newness, infinite possibilities exist for setting marketing objectives. The Ansoff matrix explains a framework in which marketing objectives can be set in each of the four main sections depicted in Figure 2.5. Marketing objectives can only be decided within the confines of iterations between product and market segments. According to Clarke and Freytag (2008), the decision lies between using market segmentation as a strategic or an operational tool. Decisions about market segment development (entering new markets) and diversification are based on strategic direction. Market segment penetration and product development decisions focus on operational refining of existing marketing tactics. Clarke and Freytag (2008) insist that past strategic decisions about capital investments and markets and how these influenced the deployment of resources play a role in decisions about the future of an organisation. However, other factors may also influence the formulation of marketing objectives. Thoeni *et al.* (2016) postulate that managers may decide on marketing objectives based on a subconscious belief about available resources to execute marketing strategy. Borrowing from the resource-advantage theory proposed by Hunt (2012), they theorise that managers will fall back on what is possible (based on resource availability), even if a number of potential market segments can be identified. If managers know there are enough resources to successfully target only one segment out of many possibilities, a choice will be made in favour of resource availability and sufficiency of the market. They propose that there is a connection between resource availability and marketing strategy. The potential exists that a vicious cycle of insufficient resource allocation to segmentation takes place. This could lead to companies that invest less in market intelligence to guide strategic marketing decisions and increasingly lose touch with customers. The resource-advantage theory describes the process of creating an advantage through the capabilities that resources allow (Hunt and Arnett, 2004).

When the marketing objectives of organisations that are supposed to synchronise their marketing focuses differ, it could lead to wasted marketing resources. The research by Tkaczynski *et al.* (2009) found that destination marketing organisations' objective is to attract tourists to a specific destination, while tourist service suppliers target tourists once they become interested in a destination (like accommodation providers) or once they arrive at a holiday destination (like restaurants). Their research suggested that closer collaboration between the two groups could improve the alignment of marketing objectives and co-ordination of marketing efforts, resulting in financial gain for both. Yankelovich and Meer (2006) assert that companies will only benefit from market segmentation if it is clear which strategic objectives will be guided by a market segmentation exercise. An example provided by Heracleous *et al.* (2009) is the adaptation of IBM's marketing strategies to changing market needs in the market segments in which it was active. When IBM management realised that the demand for products in their current target markets had become commoditised, they adjusted their market offering to realign them with high-growth and more profitable market segments. Echoing the viewpoints of Yankelovich and Meer, Bailey *et al.* (2009) observe that surprisingly little research focuses on what segmentation is used for - in favour of research that describes how market segmentation is done. Their research indicated how market segmentation could be used as a strategic input to marketing operations by agreeing on the objectives of market segmentation and combining it with other marketing instruments such as customer relationship management.

2.6 Adopting a market orientation management philosophy

The constant pursuit of establishing and satisfying market needs results in an almost spontaneous adoption of market orientation as a management and business philosophy. Market orientation is a business philosophy that places customers central to an organisation's being. Bailey *et al.* (2009) confirm that market-oriented companies tend to be more profitable, because they provide products and services based on market needs as opposed to their own capabilities – thus a consistent customer focus. Day (2011) recommends robust market orientation as an anchor for organisational capabilities. Market orientation with its inherent market information processing perspective has an empowering ability to align marketing resources with market needs. According to Weinstein (2014), market-oriented companies are more successful in redefining new opportunities than companies that are not market oriented. He adds that market-oriented organisations are more successful in adopting technologies that are applied to innovation, management knowledge and using research and development investments productively. Market oriented companies also tend to focus more on competitors as a part of better understanding the entire market landscape (Weinstein 2014). Obilo and Alford (2018) state that market segmentation is an indicator of market orientation because it relies on ongoing information gathering to better understand markets and differences between market segments. Market orientation does not only apply to profit making organisations, as Wood, Bhuian and Kiecker (2000) report. Their research focused on the effects of market orientation on the performance of hospitals in a non-profit environment. They found that a market orientation in this environment leads to a more focused management team, the application of more professional ethics and higher levels of organisational entrepreneurship. Lastly, it correlates significantly and positively with organisational performance (Wood, Bhuian and Kiecker, 2000).

Hooley *et al.* (2012) describe a market-oriented organisation as one where activities are geared towards understanding current and future customer needs and the factors that affect it. Kohli and Jaworski already in 1999 found that executives who adopted a market orientation did not simply react to customer needs but were guided by a deeper knowledge of these needs. Their research showed that a market orientation also required the capacity to predict changes in customer needs and behaviour based on an analysis of external environmental factors that might influence them. The knowledge is shared across functions to enable the entire organisation to respond to customer needs. This management philosophy, first articulated by Narver and Slater, as well as Kohli and Jaworski, in the early 1990s, was an attempt to formulate a response to the conundrum of gaining and keeping a competitive advantage (Dobni and Luffman, 2000). Tadajewski and Jones's (2014) research suggests that market orientation was practised earlier than assumed. They provide an example of law enforcement against an organisation whose behaviour was not in line with what was regarded as market-oriented business conduct.

The virtues of following a market orientation management philosophy also apply to emerging market economies, such as Vietnam. Hau *et al.* (2013) confirm that adopting a market-oriented management philosophy has a significant positive effect on company performance. Their research tested the claims about market orientation’s positive effect on firm performance in markets with a different cultural and developmental orientation than those of South East Asian economies. In what seems to be contradicting the research findings of Hau *et al.* (2013), Sheth (2011) contends that market orientation will not be the biggest driver of marketing success in emerging economies. This opinion is based on the structure of markets in emerging economies. Research has confirmed that with infrastructure relatively underdeveloped in a developing market context, marketers’ success depends on their ability to develop markets rather than to understand them better. Sheth (2011) adds that sellers often make or package their own products to trade, which implies that they are unbranded. Supplying products to sell creates markets by shaping customer needs through availability rather than assessing and reacting to customer needs (Sheth, 2011). Hau *et al.* (2013) argue that providing the right mix of products and services to markets in developing economies illustrates a market orientation. Satisfying market needs and achieving the economic objectives of organisations demand market segmentation and target market selection, as this will not be possible for an entire market.

Sørensen (2009) points out that it is important to analyse the economic benefit of adopting any strategic orientation, including a market orientation, but Lettice *et al.* (2014) confirm that the concept of market orientation that was developed in a 1990s business context provided insulation against severe economic downturn in later years. Their research was based on the performance of an international law firm during a time of global economic crisis. They found that market orientation as a management philosophy played a significant role in the performance of the case study organisation during a time of global financial volatility and concluded that it would be important in times of increased market turbulence. Market orientation allowed the kind of focus on changes in market sentiments that promoted marketing agility (Lettice, Tschida and Forstenlechner, 2014).

Implementing a market orientation requires top and senior management to actively support the marketing concept (Wood *et al.*, 2000); this places market and customer knowledge and co-ordinated marketing central to the company's financial performance and growth (Armstrong, Kotler and Opresnik, 2017). As already proposed by Avlonitis and Gounaris by the late 1990s, market orientation requires the integration of an organisational culture with specific behaviours (Avlonitis and Gounaris, 1999). It requires interdepartmental sharing, training, communication and performance measurement which are geared towards being a market-oriented organisation (Kohli and Jaworski, 1999). The philosophy subscribes to the notion that organisations should focus on understanding and meeting market needs as a starting point of strategic direction. Market orientation demands the participation of everyone in an organisation. It requires customer focus, best practice benchmarking, competitor knowledge and cross-functional cooperation (Cravens and Piercy, 2013). As the adoption of market orientation philosophy does not lie with the marketing department only, it implies that all management members should be involved in the development of a suitable marketing strategy for the organisation. This is almost a carbon copy of business strategy formulation practice, mentioned under paragraph 2.5.2 (The role of marketing strategy in organisations). In this regard, Dobni and Luffman's (2000) research into the relationship between the strategy and culture of an organisation confirmed that organisations with a high market orientation tend to be strategically more pro-active on issues that may influence customer behaviour and that the corporate culture that is visible in a market-oriented organisation encourages management behaviours that dictate its strategic orientation.

Gokus (2015) tested the effect of specific types of strategy, namely the prospector and defender approaches to strategy implementation, on organisational performance. Prospector behaviours include actions that seek and exploit new market opportunities proactively. Prospectors often experiment with responses to changing market trends, aggressively competing through innovation and new market development. Defender behaviour focuses on maintaining a secure position in existing market situations. Defenders prefer to compete through operations or quality-based initiatives that offer efficiency related advantages. Gokus found that market orientation mitigated the overreliance on either of these two strategic typologies in favour of adopting strategy as market needs require (Gokus, 2015). Dobni and Luffman (2000) found that in organisations where market orientation was strong, dominant marketing strategy activities included:

- Doing market research on customers, competitors and factors that influence the future of the industry. These companies also succeed in using the information to make marketing strategy decisions.
- Offering products and services of an exceptional quality.
- Placing emphasis on factors that enhance the brand and reputation of the organisation, like advertising, promotion and other activities that support a positive brand image and result in high brand equity. Brand equity represents the value that the market puts on a brand (Cravens and Piercy, 2013).
- Leading with innovation and application of new technologies.
- Tending to be leaders in industry progression.
- Providing a broad range of products and services.
- Applying market segmentation well. These companies tend to excel at market focus and being different, two key aspects of a market segmentation strategy.
- Doing better at product and service customisation.

Conversely, companies that exhibited a low level of market orientation tended to be associated with less desirable marketing activities, such as:

- Relying on market penetration as a marketing strategy. Market penetration refers to a situation where a company relies on selling more products and services to existing market segments (Armstrong, Kotler and Opresnik, 2017).
- Depending on price discounting as an important part of the marketing strategy.
- Excelling at providing standardised products and services.
- Focusing on cost cutting to sustain profitability.

Dobni and Luffman's (2000) research concluded that companies with a high level of market orientation excelled at marketing strategy actions that were highly effective.

While market orientation as a business philosophy may be challenged by researchers such as Kumar *et al.* (2011), there is sufficient evidence that market orientation, if managed correctly, plays an important part in achieving superior performance. Kumar *et al.* (2011) argue that market orientation is a necessary requirement for competing and that it may no longer be a differentiating force in ensuring ongoing competitive advantage. On retirement from his position as Chief Executive Officer (CEO) of Apple, Steve Jobs hinted at not subscribing to market orientation, as he did not test-market every innovation but rather relied on his own judgement, instinct and gutfeel (Streitfeld, 2011). This may be true for organisations where competition is of a monopolistic nature (Sørensen, 2009). According to Sørensen (2009), market orientation could be detrimental for firms' performance when they operate in a less competitive environment. Frösen *et al.* (2016), when measuring the relevance of market orientation as an important contributing driver to business performance, found that a combination of market orientation and comprehensive and formal marketing performance measurement was required for consistent high performance for large businesses and for market leaders. They further found that smaller companies and market followers could only use selective marketing performance measures, but still needed a high level of market orientation. The findings supported those of Srinivasan *et al.* (2010) that market leaders have more to lose if they don't closely follow changes in market preferences. A marketing information system which acts as an early warning system for any changes in market needs was found to be a good investment. According to Sørensen (2009), market orientation relies on competitor and customer orientation; competitor knowledge (part of a good marketing information system) correlates well with market share.

Table 2.3 provides an overview of the market-oriented concepts and illustrates how the concepts are related.

Table 2.3: The domain and key elements of market orientation

Market orientation		
Market intelligence generation	**Market intelligence dissemination**	**Market intelligence responsiveness**
Gathering, monitoring and analysing information concerning: • Clients • Environmental factors Gathering information using: • Formal means • Informal means	Sharing information about: • Clients • Environmental factors Ensuring: • Horizontal and vertical information flows • Participation of all departmental staff • Use of other marketing instruments	Developing, designing, implementing and altering: • Marketing programmes • Programmes to promote, price and distribute goods and services Utilising: • Market segmentation • Product/service differentiation

Source: Wood et al. (2000)

Table 2.3 illustrates the relationship between market segmentation and market orientation. It implies that market segmentation will be applied in its most economical sense when the elements of market orientation (market intelligence generation, dissemination and responsiveness) are in place. Research by Jobber and Shipley (2012) confirms that the conditions under which price discrimination (an important consequence of market segmentation) can be implemented successfully include aspects such as:

- The ability of customers to pay a higher price.
- Higher demand than supply.
- A low level of competition.
- The market's perception of the value of a brand.
- Competitors' (low) price is not a barrier to market entry.
- Competitors do not drive market share above anything else.

Jobber and Shipley (2012) argue that all these aspects will be known through research (market intelligence generation) and using analysis to reveal market segments where a favourable pricing strategy can be implemented (Jobber and Shipley, 2012).

Kosuge (2015) confirms that market orientation has a positive effect on sales productivity. He found in a study focusing on sales staff in a services organisation that the organisational values instilled through adopting a market orientation management philosophy drove salespeople to become more efficient and effective. The behaviour of salespeople, who collaborated with other staff such as technicians to develop customer service exchanges based on team effort, resulted in higher perceived value by customers, better utilisation of resources (because they worked in teams) and thus increased operational efficiency. These findings support that of Kohli and Jaworski (1999) that market orientation demands cooperation between different departments if they want to respond to market needs effectively. Cooperation ranges from research and development to product/service design, to new concept development, to operations, to purchasing and finally to finance. Jiménez-Zarco *et al.* (2011) confirm that market orientation fosters cooperative relationships with clients and provides a solid base for innovation, even in a services environment. Kosuge (2015) adds that these behaviours are consistent with the lean concept of continuous improvement. Lean is a term used to describe an approach that includes a variety of management practices focused on the elimination of waste (Gupta *et al.*, 2016).

Kosuge's (2015) findings support those of researchers such as Hinson and Mahmoud (2011) that market orientation plays an important role in the success of small business owners, even if they don't adopt it formally. Their interaction with customers mimics the pillars of market orientation – gaining market insight, sharing it with other members of the small business and using it to drive business performance.

In conclusion, adopting a market orientation management philosophy encourages the application of two important market segmentation principles: finding similarity within segments and focusing on satisfying the needs of a segment.

2.7 Critique of academia's interpretation of market segmentation

As with many other management practices, market segmentation also has a fair share of critique (Lilien, 2011). Different researchers and authors have different viewpoints. This section will address some of the critique. Where critique was addressed, it will also be discussed. Table 2.4 presents a summary of the articles in which market segmentation was critiqued. The points of critique are listed under themes marked in bold. The researchers' contributions are listed in date sequence for an overview of the number of years involved.

Table 2.4: Critique of market segmentation

High risk associated with market segmentation implementation • Smith and Cooper-Martin (1997) warn that marketers may harm society with the types of products and services that they provide to selected markets. • Dibb and Simkin (2009) caution that changes in market segment selection may result in changes in investments required to develop markets. This could be met with resistance by a management team. • Newton *et al.* (2013) are concerned that audiences which may benefit from a message targeted at a specific audience, could be excluded. • Dolnicar, Grün and Leisch (2018) point to the risk of making erroneous target market selection choices.
Theory does not add value to practitioners • Hines and Quinn (2005) postulate that years into research about market segmentation, the concern about the practical applicability of market segmentation theory remains. • Foedermayr and Diamantopoulos (2008b) add that marketing researchers tend to focus on the robustness of segmentation techniques, rather than on solutions for marketing practitioners. • Bailey *et al.* (2009) mention that marketing practitioners are not sure of the exact role of market segmentation in marketing practice and that marketing practitioners struggle to comprehend the application of market segmentation theories. • Tonks (2009) cautions that marketing practitioners may follow their own instincts if evidence-based market segmentation research does not provide solutions. • Boejgaard and Ellegaard (2010) remark that market segmentation theory lacks empirical testing and is therefore suspect.

• Harrigan and Hulbert (2011) are concerned that marketing academics do not equip students for the needs of modern-day marketing. • Lilien (2011) pleads for marketing education that will bridge the gap between marketing theory and marketing practice. • Shaw (2011) mentions that market segmentation theory does not take marketing practitioners' needs into consideration with the way it is presented to practitioners. • Cleveland, Papadopoulos and Laroche (2011) assert that market segmentation theory was developed in an Anglo-Saxon context and may not apply to other contexts. • Tuma, Decker and Scholz (2011) conclude that applied market segmentation does not reflect theory. • Lilien (2011) pleads for a meaningful integration of the marketing agenda to bridge the theory and practice divide. • Dolnicar *et al.* (2012) reiterate that market segmentation research tends to focus on the development of better market segmentation methods in lieu of solutions to marketing practice. • Venter, Wright and Dibb (2014) point out that marketing researchers grapple with theoretical issues such as market segment base choices, while marketing practitioners need pragmatic implementation solutions. • Ernst and Dolnicar (2017) confirm that fundamental questions about the application of market segmentation are still unanswered. • Honea, Castro and Peter (2017) advocate marketing curricula that reflect market readiness for marketing students who complete their post school education. • Dolnicar, Grünn and Leisch (2018) contend that market segments are artificially created clusters of the market.
Changes in economic activities may change the need for market segmentation • Bailey *et al.* (2009) postulate that customer relationship theory coupled with modern day technology enable meaningful communication between marketers and their individual customers. • Tonks (2009) argues that the inescapable impact of diverse communication and information technologies and the fragmentation of the market could signal the replacement of market segmentation with micro-marketing. • Zinser and Brunswick (2016) state that the services marketing context may make market segmentation irrelevant, as every customer has a unique need and is co-creator for satisfying the need.

Market segmentation is more suited for the business-to-consumer environment
• Shapiro and Bonoma (1984) conclude that market segmentation theory is more suited for users in the business-to-consumer environment. • Plank (1985) suggests that much more research will have to be done before a normative market segmentation model will be available for business-to-business marketers. • Doyle and Saunders (1985) mention that the principles suggested for market segmentation are similar for business-to-consumer and business-to-business markets and that the approach for business-to-business markets needs to change. • Millier (2000) proposes that business-to-business marketers use intuition as part of their approach to market segmentation after identifying a huge gap in research about market segmentation for business-to-business marketers. • Bailey *et al.* (2009) confirm that years after the concern expressed by earlier researchers about the lack of informed research into business-to-business market segmentation, the situation remains unchanged. • Brotspies and Weinstein (2019) argue that market segmentation is still not understood and used by business-to-business marketers because research tends to address business-to-consumer markets.
Market segmentation overly relies on statistical calculation
• Millier (2000) suggests that the statistical calculations required for market segment identification and confirmation may be too sophisticated for most marketing practitioners. • Yankelovich and Meer (2006) postulate that marketing practitioners are often not allowed to apply their own logic to market segment identification, as it relies too much on statistical calculation. • Dibb and Simkin (2008) argue that survey-based market segmentation solutions should not be regarded as the ultimate solution to market segmentation analysis, but that a more pragmatic approach that allows for marketers' intuition should be invited. • Foedermayr and Diamantopoulos (2008a) suggest that some researchers are more concerned with the statistical validation of market segments than the practical application of solutions. • Dolnicar *et al.* (2013) admit that most marketers struggle to make sense of the statistical interpretations applied to market segmentation solutions.
Marketing in general does not make the contribution to society that it should
• Reibstein, Day and Wind (2009) deplore the role that the marketing function generally plays in solving pressing social problems, such as poverty.

- Jansen van Rensburg, Venter and Strydom (2012) posit that marketing departments could lose their relevance as the roles of marketing are systematically taken over by other departments.

While the role of market segmentation in getting an organisation to achieve efficiency and effectiveness is acknowledged by many researchers, the outcome of the process may prove to be problematic. Implementing market segmentation decisions has investment consequences for an organisation. Apart from the time and resource investment in developing suitable market segmentation strategies for different market segments, the risk of making erroneous choices in targeting can prove to be financially fatal (Dolnicar, Grün and Leisch, 2018). Early on, Smith and Cooper-Martin (1997) pointed out that the targeting of market segments with specific needs when the exclusive objective in mind is to increase sales and profits may have undesirable consequences. One is that market segments may be targeted with products and services such as pornographic material, lottery tickets, credit, (unhealthy) fast food, alcohol, cigarettes and harmful slimming products. The consumption of these products and services may not be in the best interest of members of the target market segment. In other cases, a target market may be considered as a vulnerable group, such as young children or poorly educated or desperate consumers (Smith and Cooper-Martin, 1997). In this regard, an appeal is made to the integrity of marketers to always act in ethical and socially acceptable ways. Research results have indicated that society itself tends to react less favourably to products and services that are perceived to be harmful. On the other hand, research that investigated the ethicality of segmenting target audiences for messages about the treatment for HIV found that segmentation was not only desirable from a moral stance, but also provided guidelines for targeting the right audience and contributed to more effective use of marketing resources (Newton *et al.*, 2013). The context of this research was communicating a social marketing message to a selected target audience. Social marketing refers to the adaptation of commercial marketing practices to campaigns designed to influence the voluntary behaviour of audiences to improve their personal welfare and that of the societies in which they live (Armstrong, Kotler and Opresnik, 2017). The dilemma that the researchers considered was whether the social marketing message should be targeted at specific segments, while the broad society could benefit from it – thus an untargeted message. A consequence of market segmentation and targeting is that specific groups may reap the benefit of a social marketing message, while groups that may also gain from it may be excluded (Newton *et al.*, 2013). One of the conclusions that they drew from their research was that the use of market segmentation greatly served the objective of the social marketing campaign. Targeting is a consequence of market segmentation. The dilemmas described address the broader marketing ethics predicament and not market segmentation per se. The discussion will thus not be pursued any further.

One of the strongest critiques of marketing academia and its contribution to solving practical modern day marketing problems was co-authored by Reibstein *et al.* (2009). In this opinion piece, they ask pertinent questions about the role that marketing academia in particular play in solving the world's larger issues - poverty, energy conservation, obesity, creating new value for customers, consumer empowerment, decisions on managing an explosion in media choice and other relevant real-life marketing problems. Rotfeld (2014) countered the critique of marketing theory, as it is often academics themselves that fail to clearly communicate their valuable theories to marketing practitioners. He went as far as stating that it will be difficult for academics to relate their work to practitioners if they themselves struggle to understand the context of theory development in their field of research. While critical of the written language often used by academics in journal articles (speculating that perplexing language generally seems to be the means to academic achievement), Rotfeld (2014) asserts that practitioners often do not fully appreciate the value of theory development. It is frequently expected from practitioners to rely on their intuition and experience to make decisions under pressure to perform. Theory explains data, predicts futures based on data and subjects these predictions to a reality test. He acknowledges that there are ideas that are perpetuated as theories even after having been refuted by research. He adds that there are ideas in marketing that seemingly enjoy immortality even after research has invalidated them as theory, citing Maslow's hierarchy of human motivation as an example (Rotfeld, 2014). Earlier Harrigan and Hulbert (2011) pointed out that marketing graduates that complete their academic qualifications are often not market-ready, as they were taught "old marketing DNA" principles in a marketing environment that is dominated by changes in technology. Their research indicated a gap between marketing scholars' knowledge and marketing practitioners' need for more practical hands-on marketing knowledge (Harrigan and Hulbert, 2011).

Lilien (2011) observes that there is a plethora of marketing decision models that have never been tested in a practical context. Lilien (2011) also addresses the critical role that marketing intermediaries (such as marketing consultants) should play to bridge the gap between marketing theory and practice and pleads for more coordination between marketing academics, intermediaries and practitioners to overcome this long-standing dilemma of practitioners that do not get many practical answers from academics. Since marketing practitioners cannot always research every outcome before they take a decision, an understanding of relevant theories should provide a framework for decisions. Rotfeld (2014) provides an example of advertising theories developed from many years' research on how people read, listen to or regard the messages from advertising. Reibstein *et al.* (2009) argue that marketing, as a management discipline, may lose its relevance in the business boardrooms if academia does not attend to these modern-day and critical questions. Earlier McDonald and Dunbar (2004) studied the strategic contribution made by marketing departments in organisations. They found that marketing was steadily moving away from a strategy-providing unit towards becoming a sales support, promotions and function coordination department. Jansen van Rensburg *et al.* (2012) report that marketing's role has been absorbed by other departments in organisations. Examples are distribution activities mostly done by operations departments and pricing that's managed from the financial office. Reibstein *et al.* (2009) offer generic solutions to the dilemmas that they highlighted; in response Lilien (2010) proposes that marketing practitioners and academic researchers should actively work together on a shared identification of the relevant marketing concerns to be addressed. Kleinaltenkamp (2010) disputes the generalisation of the comments and points out that the comments may not be valid for all continents or countries. Sweeney (2010) refers to several research agendas in the Australian context where the concerns expressed by Reibstein *et al.* (2009) are actively addressed.

Lastly, market segmentation as a marketing practice may lose its desirability in the face of changes in the economy that imply that the economic future will be dominated by services. Zinser and Brunswick (2016) predict that customers will become co-creators of the satisfaction of their needs. The implication is that marketing will move to customisation as the new standard in providing customer satisfaction, thus reducing the importance of or logic for identifying, targeting and providing marketing programmes for segments. Competitive strength will be seated in the ability to customise. While this seems to be a move away from traditional market segmentation, it should be kept in mind that undifferentiated marketing (when the same product is marketed to all customers with the same marketing strategy) is almost impossible to fathom in a world where there are so many differences between market needs, organisational competencies and established and developing markets (Dolnicar, Grün and Leisch, 2018). Under conditions where the strategic focus will be on creating customer value, the role of marketers will also change (Finney, Spake and Finney, 2011). Finney *et al.* (2011) predict that the role of marketing and the role of strategic thinkers in the top structures of organisations will fuse. The shift in focus to customisation will inevitably require marketing academics to re-orientate their curriculum (Zinser and Brunswick, 2016).

2.7.1 The practical application of market segmentation

Shaw (2011) comments on the realities faced by practitioners in incorporating academic thinking into marketing practice. His research discusses market segmentation in a pharmaceutical context where different stakeholders in the medical value chain (doctors, pharmacists, patients) have diverse needs. Under these circumstances, it is difficult to decide exactly who the market segments are to focus on. At the core of this critique is the question about the value that market segmentation brings to the boardroom. Earlier, Dibb and Simkin (2008) pointed out that most organisations have long-established marketing, sales, service and distribution practices. A change in segmentation will therefore likely be met with resistance from internal established infrastructure, especially if changes must be made to meet the challenges of targeting new and emerging markets. As Tonks (2009) remarks, some researchers and practitioners take note of the existence of more affluent and demanding consumers who are driven by self-manifestation. Targeting and servicing them could be lucrative, but it comes at a risk. Cleveland *et al.* (2011) point out that market segmentation theory was developed in an Anglo-Saxon context. Yet it is accepted that market behaviours apply universally. Tonks (2009) argues that the unavoidable impact of diverse information and communications technologies and the fragmentation of markets may signal the looming replacement of market segmentation with micro-marketing or marketing-to-one as the next marketing paradigm. He adds that a general concern with claims about the value of market segmentation is the absence of controlled experiments to test for alternative policies. These include results derived from using alternative segmentation variables (Tonks, 2009). This is confirmed by Tuma *et al.* (2011), whose analysis of market segmentation application indicated that applied market segmentation did not reflect marketing literature.

Palmer and Millier (2004) assert that market segmentation is context specific and therefore it is difficult to provide answers to marketing practitioners. Foedermayr and Diamantopoulos (2008b) state that academics tend to focus on segmentation variable selection and segmentation techniques to achieve statistically robust segmentation schemes. According to them there is a lack of segmentation research in an international context and most market segmentation research provides normative information on how segmentation should be done or describes how segmentation theory has been applied. They add that market segmentation is seldom discussed in literature dealing with international marketing (Foedermayr and Diamantopoulos, 2008a). Marketing practitioners' need is to target segments for which they can develop precise marketing programmes. Therefore, emphasis should be placed on developing an ability to link marketing actions to the segments that are formed to ensure their value to marketing managers. Their opinion was acknowledged in a recent study by

Maciejewski, Mokrysz and Wróblewski (2019) who distinguished a market segment for which quality of life, the ability to meet the needs of future generations and protecting nature was key attributes for a segment of coffee consumers. But as Dolnicar, Grün and Leisch (2018) point out, market segments are artificially created clusters of people. The dilemma is also not new, as Yankelovich (1964) already proposed a segmentation analysis that would inform managers about the market segments that they should focus on. Years later Bailey *et al.* (2009) echoed this sentiment and repeated that marketing practitioners were still not sure of the role of market segmentation in practice. After emphasising that demographic characteristics alone did not provide answers to usage intent, Yankelovich (1964) suggested other criteria such as what customers value, what need is satisfied by using the product/service and what attitudes customers hold about a good. Even back then, he advocated a more pragmatic application of market segmentation by urging marketers to develop a segmentation approach that would fit the objectives of the firm instead of following a ready-made solution. Weinstein (2014) quotes Neal, a former president of the influential American Marketing Association, who declared that companies do not use market segmentation as a strategic planning tool. More recently, Ernst and Dolnicar (2017) have pointed out that some of the fundamental questions about the application of market segmentation – such as whether market segments exist or are created through data manipulation – are still unanswered. According to them natural market segments exist when segment members are very similar to each other and very different from members of other segments. Natural market segments should thus be clearly recognisable. This was said partly in response to a statement by Dolnicar *et al.* (2012) that research published on market segmentation in the tourism industry tended to focus on improving segmentation *methods* in order to make them less susceptible to error and misinterpretation.

As far back as 2005, Hines and Quinn (2005) remarked that even after years of research and discussions amongst marketing researchers, the fundamental concerns about the practical applicability of market segmentation remained. They based their opinion on the history of market segmentation and how it evolved as marketing management practice since its introduction to marketing theory by Smith in 1956. They listed examples of believers and non-believers in the logic of the benefits that market segmentation should provide. Amongst the non-believers mentioned were researchers such as Collins (1971), Wright and Esslemont (1994) and Hoek, Gendall and Esslemont (1996) who all concluded that the practical application of market segmentation principles remained a *subjective process* due to the many assumptions and arbitrary decisions that accompanied the identification and description of a specific market segment. The core of their argument refers to an implicit assumption of all market segmentation models that individuals can be profiled and modelled in a way that represents groups of customers who share specific attitudes and behaviour. Moreover, drastic changes in consumer heterogeneity has fragmented the consumer market to the extent that *market segmentation has little practical value* (Hines and Quinn, 2005). While Yankelovich and Meer (2006) echoed these sentiments, they pointed out that segmentation still identified groups in the broader market that could be worthwhile to pursue with a tailor-made marketing strategy. They argued that modern day marketing was outward looking and tended to segment markets to fit the marketing offering to meet market needs on the one hand, while balancing it with the cost of serving selected segments with company resources. They urged that market segmentation should be adjusted as often as required to keep its relevance to management decisions about which markets to focus on. This opinion was emphasised by Simkin and Dibb (2011), who researched the application of market segmentation in a supplier market that mostly relied on price discrimination for gaining market share. In their market segmentation case study, they found that market segments' needs could be grouped on the bases of differences between value for money, service and environmental factor needs. Research done by Bailey *et al.* (2009) following concerns that marketing practitioners were unsure of the role of market segmentation in marketing indicated how market segmentation could be used as a strategic input into marketing operations. In an attempt to balance some of the sentiments expressed, Tonks (2009) cautions that ignoring evidence-based theories might result in an approach where marketing practitioners follow their instincts to the detriment of organisations. While all these opinions have been shared for many years, researchers such as Dahl, Peltier and Schibrowsky (2018) have pleaded for a marketing curriculum that is designed to develop marketing students' critical thinking skills. In the absence of agreement amongst researchers and academics about the exact application of a topic such as market segmentation, it will remain a challenge to agree on what critical thinking skills will be based on. Honea, Castro and Peter (2017) interrogated which attributes would signal workplace readiness for marketing students. Their research was an attempt to bridge the need of marketing practitioners for marketing students that would satisfy their requirements for the workplace and academics' efforts to supply students who could play the part.

Bailey *et al.* (2009) mention that market segmentation's philosophy was scrutinised with the advent of customer relationship management (CRM) theory, as the theory advocated individual customer relationships that were against managing a market segment (group relationship). They add that modern-day technology enables more meaningful customer conversations with individuals, but this does not mean that customers cannot be classified into meaningful segments that can be targeted economically. They conclude that market segmentation is still important for marketing planning purposes, but the availability of data for individual customers should be used as customer insights to customise marketing offers. For this reason, market segmentation is yet considered a valuable management instrument. Recent research by D'Haen *et al.* (2016) explains how sales staff can make decisions about targeting new prospects by using data mining techniques based on web crawling behaviour. Using this contemporary technology allows sales staff to target customers based on specifically defined web crawling behaviour attributes, thus minimising their own subjective gut-feel on which potential customers to target. Web crawling behaviour can be accessed through website address search algorithms. The downside of the approach is that potential clients without a web address are automatically excluded from the analysis (D'Haen *et al.*, 2016).

Not taking sides, Hines and Quinn (2005) point out that only relying on empirical evidence for the market segmentation approach may detract from an attempt to create an understanding of a world view (ontology) and *market segmentation as a social construct.* In a way, the same sentiment was expressed by Yankelovich and Meer (2006), who stated that market segmentation, while borrowing from social sciences, allowed for the development of an *interpretive theory in marketing*. Marketing – and therefore market segmentation – is a process of human interaction within a complex psychological and cultural landscape. In support of this opinion, Navis and Glynn (2010) argue that forming new market segments is a *social process* and that it involves an interplay between the company and the market which shows interest in the products and services from the company. They point out that marketers need to make sense of at least three important factors that influence marketing success. The first is to understand that marketing is done with limited resources. The second is that marketing is also an economic science and marketers cannot serve a market of one – even if everyone represents only him-/herself regarding specific needs. Serving a vast market of one will not be economically viable. Lastly, through market segmentation marketers attempt to group individuals according to their similarities. As such, marketers may use various data sets to understand where people live, how much they earn, which gender they belong to and so forth, based on other data-driven information. When it comes to the decisions that these individuals take on how to spend their income, assumptions have to be made on the predictability of consumer spending (Hines and Quinn, 2005). Yankelovich and Meer (2006) agree that segmentation variables such as age and income do not represent tastes and purchasing intent. Individual consumers take these decisions in a social context that may be too complex to weave into something as simplistic as a market segment where groups of individuals are considered similar. Bailey *et al.* (2009) found that companies first used *a priori* information as part of the traditional segmentation approach but combined it with psychographic bases. They added, however, that marketers acknowledged that they struggled to grasp and therefore implement the latter part of the segmentation process.

To hasten the development of marketing decision-making models, Lilien (2011) recommends that the impact that academic research and development have on practice should be a measured output linked to academic promotion. For this to happen, Lilien (2011) advocates an ***integration of the needs of marketing practitioners with the academic research and teaching agenda. As summarised by Venter et al. (2014), while academic researchers tend to focus on theoretical and technical issues around market segment bases selection and identifying statistically robust outcomes, marketing practitioners focus on the practical and pragmatic implementation complications.*** These include ensuring effective solutions, explaining high financial segmentation costs, getting appropriate data, appointing skilled personnel, overcoming operational difficulties, handling cultural resistance to change and dealing with the challenge of aligning the organisation's resources with a segmentation outcome. Quinn and Dibb (2010) lament that marketing managers contemplate how to practically implement market segmentation, while academics tend to focus on the best choice of segmentation bases and multivariate techniques that can be used to analyse and validate segmentation output. Tonks (2009) states that for marketing practitioners, the academic debates about construct and content validity might be less valuable than finding a segmentation base that will practically work in their context. Boejgaard and Ellegaard (2010) explain that the implementation of market segmentation remains a challenge, while it has not received much empirical attention.

2.7.2 Market segmentation applies more to business-to-consumer markets than business-to-business markets

As early as 1984, Shapiro and Bonoma (1984) concluded that segmentation theory was aimed at business-to-consumer marketers rather than business-to-business marketers. Business-to-business marketers therefore found it more difficult to make sense and apply segmentation theory in their contexts. A year later Plank's (1985) literature review of business-to-business market segmentation practices concluded that much more research was needed before business-to-business marketing practitioners would have a normative model of market segmentation. He added that the most troublesome aspect of research about market segmentation in the business-to-business context was to translate the theory into practice. At the same time Doyle and Saunders (1985) mentioned that the underlying concepts for segmenting consumer and business-to-business markets were similar, but that the approach to segmenting business-to-business markets should be altered significantly. Millier (2000) proposed a segmentation model based on intuition and rationalisation after his literature review had revealed that there was a huge gap between literature and practice when it came to market segmentation in the business-to-business marketing environment. A literature search indicated that research about businesspeople and their segment profiles was more prominent than business-to-business market segmentation studies. More recently Brotspies and Weinstein (2019) have stated that years after Shapiro and Bonoma's (1984) research, segmentation is still poorly understood and used by business-to-business marketers.

There is general consensus that market segmentation theory is skewed in favour of consumer market segmentation. Bailey *et al.* (2009) confirm this based on findings from researchers from as early as 1969. McDonald and Dunbar (2004) believe business-to-business marketers tend to use product or service classifications as market segment bases, because they lack the ability to apply a needs-based segmentation approach. Millier (2000) opines that while marketing literature proposes theories, business-to-business marketers are removed from putting them into practice and often rely on database classification or sales area structures as their only understanding of differences in their markets. Weinstein (2014) argues that a better formulated approach to market segmentation that could lead to improved target market selection could assist marketers to develop effective marketing strategies in the business-to-business context. His research focused on market segmentation practices in the United States of America, signalling a lack of research from other countries.

2.7.3 Market segmentation overly relies on statistical calculation

Yankelovich and Meer (2006) point out that market segmentation decisions are often based on statistical analysis that does not take managers' intuition about segments into consideration. They furnish an example where market segment identification was based on statistically sound calculations but lacked the insight that was required to convince management of the logic of the different segments. Combining a priori characteristics with needs-based criteria revealed segments that provided enough logic to base their target market decisions on. Millier (2000) also suggests that statistical analysis is too complex for most managers and business-to-business marketers. There are often not sufficient data to use in analysis, as these markets tend to be concentrated. Casabayó *et al.* (2015) attempted to merge statistical techniques with interpretative logic to facilitate better decision making. Using cluster analysis (an accepted statistical method used to prove discrimination between market segments) and adding artificial intelligence (AI) to assist in the interpretation of indefinite market information provided by cluster analysis only, their research sought to provide a more reliable and realistic interpretation of research results to marketing practitioners. Their research was in reaction to that of Hiziroglu (2013), who holds the opinion that traditional statistical analysis techniques to uncover market segments are no longer efficient in the light of the vast volumes of data available for market segmentation. Such large databases necessitate the use of, inter alia, data mining techniques to facilitate decision making in market segmentation.

Earlier, Dibb and Simkin (2008) suggested that survey based market segmentation should not be regarded as the only solution to segment formation, as there were pragmatic approaches that took current marketing practices and target markets into consideration. They proposed segmentation based on the interpretation of qualitative research data and managerial judgement. Almost ten years later, Ernst and Dolnicar (2017) recapped that the focus of academic research on data-driven market segmentation was on refining algorithms, which resulted in several very sophisticated statistical methods. They further pointed out that researchers did not provide definite practical answers to how data stability could be assessed logically. In this regard, Tonks (2009) states that market segmentation solutions work, even if not supported by empirical evidence. Dolnicar and Leisch (2013) remark that more than 60% of marketing managers who participated in their research admitted that they struggled to make sense of interpreting data-driven segmentation solutions. Dolnicar and Leisch (2013) suggest ways of explaining data-driven segmentation solutions with visuals to facilitate the interpretation of statistically generated approaches that may not be intuitively understandable for marketing managers. Earlier Foedermayr and Diamantopoulos (2008) postulated that some researchers were more interested in the statistical validation of segmentation, while others focused on implementation issues. They warned that this separation in focus might endanger the overall quality of segmentation efforts. This opinion was supported recently through research done by Wilkins *et al.*, (2019) who validated factors that influence the acceptance or rejection of halal food in markets where it is not everyday item on store shelves. By providing statistically significant evidence of factors that contribute to the acceptance or non-acceptance of halal foods, they propose a model that could predict the acceptance of Western consumers' behavioural intentions towards halal food. As such, they provided statistical validation of a segment, and provide guidelines for the implementation of their findings (Wilkins *et al.*, 2019). Dibb and Simkin (2008) explain that academics stress the need to identify the most suitable and statistically valid segmentation schemes, while marketing practitioners are keen to identify segments for which to develop an effective marketing program. In this regard, Oztekin, (2018) reinforced the earlier opinion of Dibb and Simkin by using data analytics (instead of traditional statistical techniques) to identify segments in the healthcare industry who have the most influence on marketing return on investement. In a complex stakeholder/influencer supply chain it is important to identify the most important group of influencers. Data mining was applied to reveal information that would otherwise be difficult to observe, Oztekin (2018) explained how marketers in the pharmaceutical industry could isolate the influencers and use it to increase their marketing effectiveness.

Finally, there is a chilling reminder by Colon (2019) that modern day marketers should be willing to accept that decisions about marketing options, such as market segments, should be shaped around changes in customer behaviour. Technology that enables smartphones, social networks, online forums and blogs has irrevocably changed the world of marketing. Although more applicable to the business-to-consumer market context, the use of modern market metrics - such as consumer sentiment – will be dictated by the market and not by marketers. This disruption, Colon (2019) predicts, will ultimately shape the way that marketing practitioners will have to think about all aspects of a marketing strategy.

2.7.4 Conclusion

The notion of selecting specific markets and focus organisational strengths on meeting the needs in selected segments originated from economic theory. Changes in demand and supply theory provided insights into an economic way of dealing with inequalities in how the market absorbs supply. Management and marketing theory were developed from the original economic theory to support management practice.

Marketing and management academics have argued the merits of applying market segmentation theory for a long time. While there were those who argued that market segmentation theory had little relevance for marketing practitioners, others felt that too little research is done to accommodate the needs of practitioners in the business-to-business sphere. Disagreement also exists regarding the value of statistical verification of market segments. Arguments relating to statistical verification oscillated between the validity of statistical methods to the value that it holds for marketing practitioners who often find statistical verification cumbersome.

Chapter 3: The market segmentation process: theory at present

While researchers agree that the market segmentation process consists of three basic steps, they differ on the approach to implementing market segmentation as a process. For market segmentation to be complete, the generic process prescribes segmentation, targeting and positioning (Myers, 1996; McDonald and Dunbar, 2004; Dibb and Simkin, 2008; Schiffman and Wisenblit, 2015; Armstrong, Kotler and Opresnik, 2017). Dibb and Simkin (2008) distinguish between a quantitative survey-based approach - creating segments from existing consumer classification - and using qualitative research to develop segments. According to Dolnicar, Grün and Leisch (2018), the quantitative survey based approach is regarded as the proto-typical segmentation analysis. They emphasise that the underlying assumption in adopting this approach is that an organisation’s management decides to consider segmentation with an open mind, ignoring current or past practice and relying on segmentation analysis to reveal possible yet uncovered market segments. While not always viable in practice, this approach provides the best opportunities for market segmentation solutions (Dolnicar, Grün and Leisch, 2018).

Venter *et al.* (2014) explain that segmenting happens when customers with similar needs and buying behaviours are grouped into segments by using one or more segment criteria. In this regard, it is important to note Wedel and Kamakura's (2000) opinion that segmentation consists of groupings of demand and not groupings of people in a market. This position is supported by researchers and authors such as McDonald and Dunbar (1998) who state that the same product can satisfy different needs. For instance, beef may be purchased either to impress friends when entertaining or to feed the family when taking care of the family diet. These two different needs essentially place the consumer into two different need segments. The approach has consequences for management when they decide on market size, as market potential must be based on the estimate of possible number of purchases per need. The accuracy of this estimation impacts the second step in the process – targeting. Targeting involves the prioritisation of segments through pairing company resources with segments that can be developed economically. The third stage, positioning, involves the development of appropriate marketing programmes for the targeted segments (Armstrong, Kotler and Opresnik, 2017).

Dolnicar, Grün and Leisch (2018) assert that the most ideal market segmentation process essentially starts with statistical analysis of available market data to explore possible segmentation solutions. Decisions during the data analysis phase of the segmentation process influence the quality of the segments that are identified. Using a layered approach, initial segments identified through data analysis should be profiled and described in as much detail as possible to enable the selection of the best segments for the organisation to serve. Dolnicar, Grün and Leisch (2018) caution, however, that a theoretically excellent market segment identified through thorough data analysis and detailed profiling is meaningless unless marketers can convert their choices into effective marketing strategy and tactics. It goes without saying that the underlying assumption of their suggested approach is access to enough and good quality data that can be used for the analysis.

Figure 3.1 illustrates their suggested market segmentation approach.

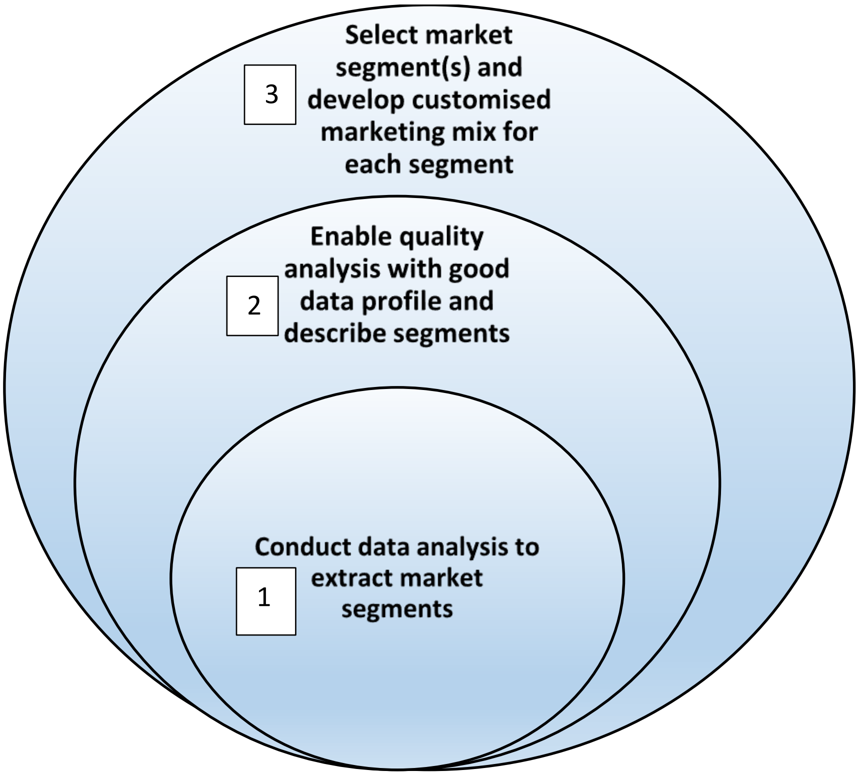

Figure 3.1: Layers of market segmentation analysis

Source: Adapted from Dolnicar, Grün and Leisch (2018)

As depicted in Figure 3.1, Dolnicar, Grün and Leisch (2018) propose that the market segmentation process starts with data analysis, followed by confirming extracted segments through profiling and describing segments. If the market segments make sense to the organisation, implementation of market segmentation decisions follows through the development, implementation and management of marketing strategies.

Harrison and Kjellberg (2010) recap that while market segmentation attempts to find homogenous groups of customers, there are two broad approaches to this. The one is based on finding homogeneity based on needs, while the other focuses on descriptive features. According to Foedermayr and Diamantopoulos (2008a), market segmentation itself consists of stages that can be explained as defining the market that will be segmented, selecting the segmentation bases/variables, choosing a segmentation method, forming the segments, evaluating the segments, selecting the segments that will be targeted, implementing the segmentation scheme and evaluating the success of the effort. Myers's (1996) suggested process starts with a decision about the segmentation base variables that will be used. Segmentation base variables will depend on the purpose of a segmentation exercise. Clarke and Freytag (2008) point out that the purpose of segmentation dictates the questions that need to be answered. Different questions will provide different answers and result in different decisions. They also propose that segmentation could be done for strategic and operational reasons. Failing to distinguish between the two purposes may be partly to blame for the failure to implement market segmentation. For instance, if management wants to explore new markets, they may opt to segment the market by using geography, size and type of company as market segment bases. Clarke and Freytag (2008) propose that segmentation can be used for management decisions such as:

- Determine the best pricing options for selected segments.
- Find answers to distribution alternatives.
- Decide on communication channels for target markets.
- Provide guidance for sales force deployment.
- Investigate new strategic alternatives.
- Guide the formulation of positioning statements (Clarke and Freytag, 2008).

Myers (1996), an acknowledged researcher on market segmentation and author of a textbook dealing with market segmentation only, proposes that marketers decide on the data analysis method to use, apply it, select market segments to target and proceed with positioning strategies for each segment. Dibb and Simkin (2008) deviate from Myers's process by suggesting that marketers should decide on the segmentation bases, use the base or bases to divide the market into segments and describe (profile) each segment. Only then is any one of the numerous segmentation verification methods applied to check for segment validity before targeting a segment and developing positioning and marketing strategies that address market segment needs.

Figure 3.2 explains the process graphically.

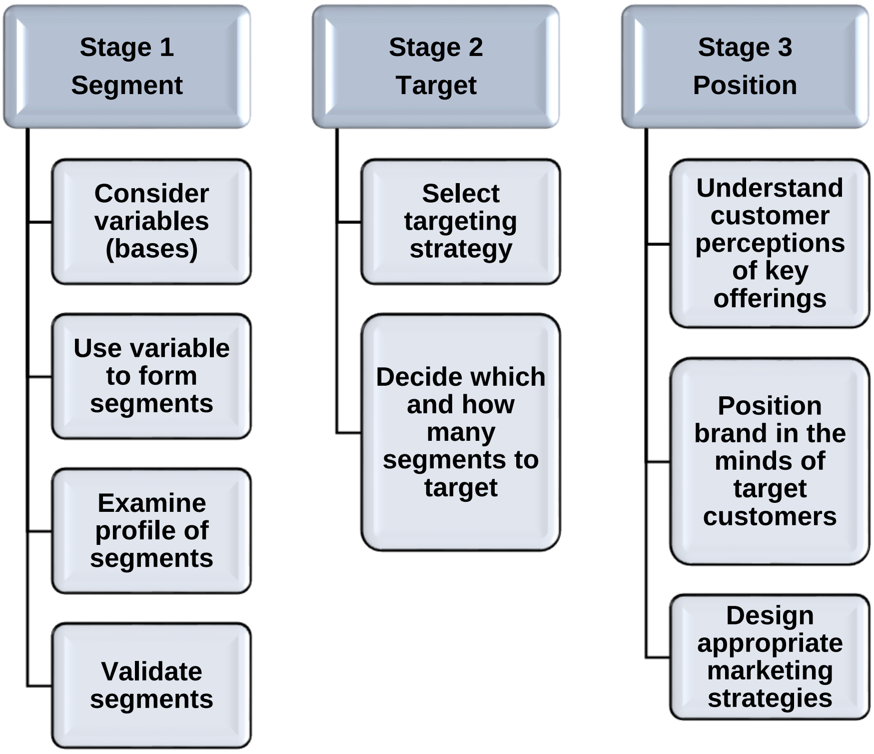

Figure 3.2: The market segmentation process (Dibb and Simkin)

Source: Adapted from Dibb and Simkin (2008)

Many other marketing textbook authors agree that the pinnacle of marketing is to develop a key understanding of market needs (Jooste *et al.*, 2012; Cravens and Piercy, 2013; Armstrong and Kotler, 2015). According to Dibb and Simkin (2008), the return on investment for effective market segmentation reflects the ability of marketers to describe market segments' characteristics and needs and buyer behaviour in detail.

Dolnicar, Grün and Leisch (2018) explicate an analysis approach depending on whether managements choose a common sense or data-driven path to segmentation. This is shown in Figure 3.3.

Common sense segmentation approach	Data-driven segmentation approach
Step 1: Deciding to segment or not	
Is the market suitable? Can a long-term commitment be made?	Is the market suitable? Can a long-term commitment be made?
Step 2: Specifying the ideal market segment to target	
What would the ideal market segment look like?	What would the ideal market segment look like?
Step 3: Collect data	
Segmentation and descriptor variables.	Segmentation and descriptor variables.
Step 4: Exploring the data	
Explore data for possible segments. Pre-process data if required.	Explore data for possible segments. Pre-process data if required.
Step 5: Extract segments	
Split market into segments, using segment variables.	Use distance-based, model-based or hybrid algorithms.
Step 6: Profile segments	
-	Determine key features of the extracted market segments.
Step 7: Describe segments	
Describe segments in detail.	Describe segments in detail.
Step 8: Select target segment(s)	
Evaluate segments and select segment(s) to target.	Evaluate segments and select segment(s) to target.
Step 9: Customise the marketing mix	
Develop customised marketing mix(es) for target segment(s).	Develop customised marketing mix(es) for target segment(s).
Step 10: Evaluate and monitor	
Evaluate success and monitor changes.	Evaluate success and monitor changes.

Figure 3.3: Steps in market segmentation analysis

Source: Adapted from Dolnicar, Grün and Leisch (2018)

Understanding market needs is the backbone of successfully generating marketing options. In so many cases, keen insights into customer needs lead to differentiation based on providing service excellence that reflects market needs (Gouthier, Giese and Bartl, 2012). According to Shapiro and Bonoma (1984), even the insistence on a specific brand name could be a base for segmentation. This insistence on a specific brand name could be the result of delivering consistent superior service. The need for consistent superior quality represents a market segment. Gouthier *et al*. (2012) emphasise that delivering excellent service starts by understanding service needs. In a world where products are often similar, a competitive advantage could be achieved when marketers grasp and respond to the details expressed through market needs – even if it is something like superior service. They acknowledge that while service excellence models are not always applicable in all service milieus, they are an important differentiator if understood and implemented correctly (Gouthier, Giese and Bartl, 2012). Heracleous and Wirtz's (2010) exploration of the phenomenal success of Singapore Airlines illustrates how a sustained focus on understanding customer needs could lead to superior service as the most important differentiator - in this case, making the organisation stand out year after year in an industry that is regarded as competitive and vulnerable to market forces, namely international airline travel. For example, the management of Singapore Airlines did not hesitate to stop the use of technology that customers did not like. This management decision also illustrates the role of segmentation in innovation, as in this case innovation was driven by customer likes (or dislikes). This approach supports the market segmentation process proposed by McDonald and Dunbar (2004).

Clarke and Freytag (2008) developed a segmentation matrix by considering the interplay between the value created for customers, the internal and external forces that impact on the future of the organisation and the level of the buyer/seller relationship. The matrix, shown in Table 3.1, makes a distinction between market segmentation on a strategic level and market segmentation on an operational level.

Table 3.1: Contextual Segmentation Matrix (CSM)

	Creating new offer	**Adjusting existing offer**
Strategic level	**Key question:** What market to be in?	**Key question:** How to consider the market?
Operational level	**Key question:** How to address the market?	**Key question:** How to strengthen the market position?

Source: Clarke and Freytag (2008)

The rationale behind this matrix is that managers use their insight to gauge the purpose and consequences of market segmentation decisions. Market segmentation to guide strategic level objectives will require changes in the organisation to enable implementation and the creation of new marketing offers will impact not only the market segment itself, but also the choice of suppliers, operational requirements and other strategic aspects (Shaw, 2011). In this regard Lambert and Enz (2012) emphasise that cross-functional and cross-organisational cooperation to create value is still a challenge and that silo based organisational structures hamper this strategic objective. Their research focused on the importance of, and the mechanisms for, collaboration. Designing a value proposition that satisfies marketers' and customers' needs requires the cooperation of managers from different levels and functions from both the supplier and buyer organisations. This is even more so in a services environment when managers can only create value propositions during and after the use of a service. Add the complexity of team dynamics (inside the organisation and between organisations) and it should be clear that successfully implementing value objectives calls for a special touch. Understanding team dynamics plays a critical role in the development of team-based performance (Fapohunda, 2013). The management of team dynamics demands an understanding of how diversity impacts cooperation in the quest for a common outcome. Diversity includes observable differences, such as gender differences, as well as unobservable differences, such as individual personality traits (Jackson, Joshi and Erhardt, 2003).

According to Lambert and Enz (2012), value creation is both an economic and social process. Their research, based on a case study of a large food distributor and a national restaurant chain, revealed a process of strategic cooperation between role players in both organisations that could be broken down into three phases. In the first phase, time was spent on co-creating value propositions. They observed that in the cross-functional business-to-business relationship, value propositions were initiated by any individual in any team. Phase two was used to implement the value propositions co-created in phase one. Managers spent time deciding on the extent to which resources should be integrated to provide a platform for creating value. Lastly, phase three was used to determine value. This was done from a financial and a non-financial perspective. Team members commented on the value they got from discussions with other team members on aspects of their job. As the word "process" suggests, this was not a quick fix, but an on-going and iterative process (Lambert and Enz, 2012).

According to Clarke and Freytag (2008), it will be important for managers to contemplate the markets that they want to be in, the markets that they want to get out of and the value that will be created for target markets. In adjusting the existing marketing offer on a strategic level, managers should consider changes involving support from the entire organisation to achieve better marketing results, including moving into new markets. The dilemma is amplified when considering Michaelidou's (2012) views on consumers' variety seeking behaviour. It is normal consumer behaviour for satiation to set in after initial preference due to various influences

(Schiffman and Wisenblit, 2015). Clarke and Freytag (2008) argue that operational level thinking about refining marketing offerings or adding brand extensions is required for creating new offerings, while adjusting marketing tactics and planning for their implementation call for operational level segmentation when modifying an existing offer is deliberated. Application of the concept was tested in one case study. It provided insight into applying the segment choices in several ways. For example:

- After years in a business that became more commoditised as new technology interrupted the specialisation advantage, management decided to segment the market to re-align with new opportunities, new applications for existing products and new markets that emerged. Segment decisions, such as targeting new segments, were implemented. The change in focus required much needed operational and cultural adjustments to be effective. Management based the new strategy on market segmentation.
- Existing customer relationships were strengthened with adjustments to current marketing offers to meet changes in needs from some strategic clients. The case study indicated that management could use segmentation to determine the level of readiness to serve target markets. Fluctuating success in implementing strategic decisions also indicated that the model could be used to contemplate required changes if managers noted the nature of the change beforehand (Clarke and Freytag, 2008).

3.1 The use of needs-based segmentation

McDonald and Dunbar (2004) insist on analysing a broad market with the single-minded focus on understanding the market needs that could occur in the value chain. Their suggested approach to the market segmentation process is broken up into five separate stages (clarified in Figure 3.4 below). The development of market segments starts by drawing a diagram (they call it market mapping) to provide a clear picture of the structure of the market. This diagram should supply information on the different routes that products follow to the end user. It is meant to identify the role players in the value chain in a way that will clarify needs (and therefore segments) in the value chain process. Harrison and Kjellberg (2010) confirm that it will be important to create an actionable map of the market to describe the actions undertaken by the organisation over time. Understanding customer and supplier interaction may result in changes in the way marketing actions are mapped and what activities are really happening.

Stage 1: Understand the market and how it operates	
Step 1 – Draw a market map. Provide a structure of the market and identify decision makers.	
Stage 2: Understand customers and transactions	
Step 2 – Who buys?	Step 3 – What is bought?
Step 4 – Understand who buys what. Which customers buy and how much do they buy?	
Stage 3: Segment the market	
Step 5 – Understand why it is bought. What are customers' needs?	
Step 6 – Start forming segments. Combine customers based on the similarity of their needs.	
Step 7 – Verify the segments. Do a reality check.	
Stage 4 – Verify segment attractiveness	
Steps 8 to 11 – Market targeting and selection. Set market attractiveness criteria; weigh criteria; score criteria and calculate market segment attractiveness; and select target markets.	
Stage 5 – Rate own competitiveness	
Determine company strength by segment.	

Figure 3.4: The market segmentation process (McDonald and Dunbar)

Source: McDonald and Dunbar (2004)

It can be seen from the two proposed processes that there are differences in approach between Dibb and Simkin on the one hand and McDonald and Dunbar on the other. In the case of Dibb and Simkin (2008), marketers are advised to decide on market segmentation variables to gain insight into probable segments. They recommend that marketing practitioners use any market segmentation base variable that is available, makes sense to management and will address the objectives of the market segmentation exercise. Harrison and Kjellberg (2010) point out that there are researchers that hold the view that homogeneity of customer groups remains a management judgement and not something that exists in the market. The objective is to identify segments by using the best possible descriptive technique. In this regard, Patsiotis *et al.* (2012) considered the impact of resistance to technology on consumer behaviour. They investigated the propensity of bank clients in Greece to adopt technology. Rejection was the strongest of several ways in which adopting technology could be resisted. Before rejection, consumers could opt for delaying the adoption by looking for more information or proof of satisfaction by earlier adopters. Patsiotis *et al.* (2012) used theoretical frameworks of adoption theories as bases for segmentation. In the case of a service, consumers cannot opt for a trial, as reflected by the value co-creation concept adopted from Vargo and Lusch's (2004) framework on service-dominant logic theory. The source of value in a services marketing setting is the experience of the service, and not the service itself. Based on a response rate of 281 respondents - working adults and university students (using a-priory segmentation) - they isolated five clusters of attributes from which three segments were identified. Market segment homogeneity was based on interaction with, knowledge of, and risks and emotions associated with using technology to access banking services. The approach to the segmentation process closely followed the model suggested by Dibb and Simkin (2008). The results of their analysis provided insights into the behaviour of non-adopters of technology for banking services. Their findings indicated a difference in needs between the different segments, which is part of the profile of each segment. It provided managers with additional input in addressing the communication and distribution needs of consumers from these elusive segments, as well as a more rational motivation of their decision not to focus resources on segments that would seemingly not embrace new technology (Patsiotis, Hughes and Webber, 2012).

The market segmentation process suggested by McDonald and Dunbar (2004) starts with understanding the flow of products in the value chain, linking that to needs (based on where and how customers prefer to buy) and then forming market segments. Harrison and Kjellberg (2010) caution that suggested market segmentation approaches assume that market boundaries, suppliers, customers, users, competitor products and product/service uses are all well-known and understood. Shaw (2011) discusses the challenges faced by pharmaceutical companies in understanding the complicated flow of information and services between them and their customers - healthcare professionals (gatekeepers) and patients (consumers). As the market for pharmaceutical products is coupled to a host of legal and health regulation requirements, its segmentation is complex. Consumer needs for pharmaceutical products will be based on what they require from healthcare professionals (which is a function of a medical condition). Understanding the range and complexity of needs in this multifaceted environment may provide guidance on a suitable segmentation strategy. For instance, the needs of legislative authorities in different countries, the needs of different healthcare providers (pharmacies' needs are different from those of prescribing doctors) and the needs of patients could all play a role in developing a suitable segmentation strategy (Shaw, 2011). Whether the complexity created through such an approach will be manageable was not discussed.

Reporting on the practical application of these approaches remains a challenge. One of the reasons is that the application of the processes remains in the marketing practitioners' domain – thus not a focus area of academic research. Lilien (2011) contends that marketing managers often must make subjective decisions about pricing, new products/services, new markets and distribution options - when data are available to assist in exploring possible options; even with the aid of models and data, the nature of decision-making requires some form of personal judgement. He adds, however, that people are inconsistent in how they make decisions and may therefore gain from decision-making models (Lilien, 2011). Decision-making models (such as which market segments to target) will become more useful in practice if there is a closer link between academic and practitioner development and testing. The gut-feel or instinct approach to decision making, called visceralisation by Roberts and Palmer (2012), includes listening to the voice of the market – something that is difficult to embed in a decision-making model. A model that incorporates a management style that encourages creativity was conceptualised by Roberts and Palmer (2012), indicating that decision making can be formalised in circumstances that dictate incorporation of subjective market signals. Amongst the case studies discussed by Lilien (2011), the market segmentation case provides evidence of substantial bottom-line results from using a perceptual mapping model to overcome internal resistance when a new marketing opportunity has to be explained to the management team. Venter *et al.* (2014) found that the segmentation process itself produces segments that are not obvious when segmentation starts. Earlier Harrison and Kjellberg (2010) reported on market segmentation as an emergent and interactive process. They based their observations on the development of market segments for a new-to-the-world innovation. According to Ottenbacher and Harrington (2010), a new-to-the-world innovation is new in the eyes of the market. It is the first of its kind, creating an entirely new market. In the Harrison and Kjellberg (2010) case study, there were no market segments when marketers started to develop an understanding of the market process that would shape the future of the innovation. The research of Venter *et al.* (2014) focused on understanding how the combination of a market segmentation process and the theory that underpins it contributed to the implementation of market segmentation. The research was grounded in what is termed a performative perspective (how theory is performed) of market segmentation. It was based on a case study in a business-to-business marketing context. One of the major findings from their research was that the team responsible for market segmentation development and implementation stuck with the broad theoretical base of market segmentation concepts (segmenting, targeting and positioning) when the process was initiated, but some interpretation and translation took place as the process unfolded. Practitioners did not religiously follow the segmentation process, as recommended. This supports the view of Harrison and Kjellberg (2010) that the market segmentation process also relies on management intuition. Millier (2000) suggests that a formal market segmentation process should be mixed with some intuitive market segment analysis, especially when markets do not exist yet, when there are a few customers only or when the market is concentrated. Recently Van Lierop and El-Geneidy (2017) confirmed Millier's viewpoint. Their research revealed that public transport customers cannot always be categorised according to income alone and that marketers should be open to changes in customers' public transport needs that can be influenced by individuals' choice. This may differ according to the public transport occasion, such as the availability of public transport on the days and times that it is needed. Another important finding was the recognition of at least four distinct performative actions that emerged as part of the market segmentation process but were not captured in the theory of a market segmentation process (Venter *et al.* 2014). These are:

- The drivers of the process had to spend time to convince the organisation of their legitimacy as champions of the process.
- After their legitimacy had been established, the concept or theory of the process had to be embedded in existing culture. Legitimacy is also reinforced through the power of market segmentation as a rational business tool that makes economic sense and a marketing tool that assists managers to make sense of market complexity – even in the absence of empirical justification (Tonks, 2009).
- As the market segmentation process unfolded, participants started to contextualise the theory as prescribed by the suggested market segmentation process. This was done by adjusting the process to fit the practicalities of the organisation. Venter *et al.* (2014) speculated that this adjustment took place when participants in the process were confronted with the realities of everyday work-life. Following the prescribed theory religiously conflicted with the practical realities that had to be considered and managed. Tonks (2009) mentions that common sense realism would always be part of the approach to implementing theory. This finding correlates with that of Harrison and Kjellberg (2010)

that the initial market segments were re-segmented as the realities of the market's practical application of the innovation materialised.

- Finally, maintenance of market segmentation proved to be one of the biggest challenges. As time passed, the strict segmentation rules that had been established started to vanish. The speculation is that over time, few of the original theoretical principles will be left. This could mean that the implementation of market segmentation will have to go back to the first performative action – legitimacy (Venter *et al.* 2014). Their research indicated that pragmatic realities shaped the implementation of market segmentation theory; this is not necessarily part of the story that theory tells practice.

The observations of both Venter *et al.* (2014) and Harrison and Kjellberg (2010) suggest that the concept of (business-to-business) market segmentation needs to be expanded to accommodate the construction of market segments that may fall outside the initially described approaches. Harrison and Kjellberg (2010) specifically mention interaction with the market as an important ingredient for shaping the marketers' understanding of market dynamics. They speculate that potentially viable market opportunities may be prematurely terminated if the focus that market segmentation should provide is not augmented with enough interaction and understanding of the details of market segmentation requirements.

3.2 Business-to-business market segmentation

Shapiro and Bonoma (1984) suggest a market segmentation approach that specifically addresses segmentation decisions that need to be made for business-to-business markets (they refer to it as industrial markets). The complexity of marketing in the business-to-business economic space is that sales are made to an organisation, thus knowing and satisfying an individual's needs may not be that important. The unique features of customer buying behaviour in this market environment requires notable differences in the process of marketing strategy development and implementation (Filip, 2012). Clarke and Freytag (2008) remark that the choice of whom to work with as suppliers often lies with buyers and that marketers are often not able to influence them because of the customers' policies regarding principled business conduct. More recently, Brotspies and Weinstein (2019) have added to this complexity by pointing out that there are also business-to-business-to-business (B2B2B) markets that require deeper understanding of needs satisfaction than ordinary B2B markets. Business-to-business-to-business markets refer to situations where a marketer sells products (an electric motor) to a company which may use it to assemble a complete product (an elevator) which is then sold to the business user (a building contractor that will install the elevator).

Alluding to what is called the “Nested approach”, Shapiro and Bonoma (1984) argue that segmenting business-to-business markets is more complex than business-to-consumer markets, because the buying process is more complex. Note than neither McDonald and Dunbar (2004) nor Dibb and Simkin (2008) made any distinction between market segmentation processes for these two primary markets. In the nested approach there are layers of segmentation: the first layer denotes easy to observe characteristics such as company size. Thereafter the segmentation bases become more complex as knowledge of bases, such as individual buyer preferences, becomes increasingly difficult to access. Figure 3.5 provides an explanation of Shapiro and Bonoma’s (1984) suggested approach.

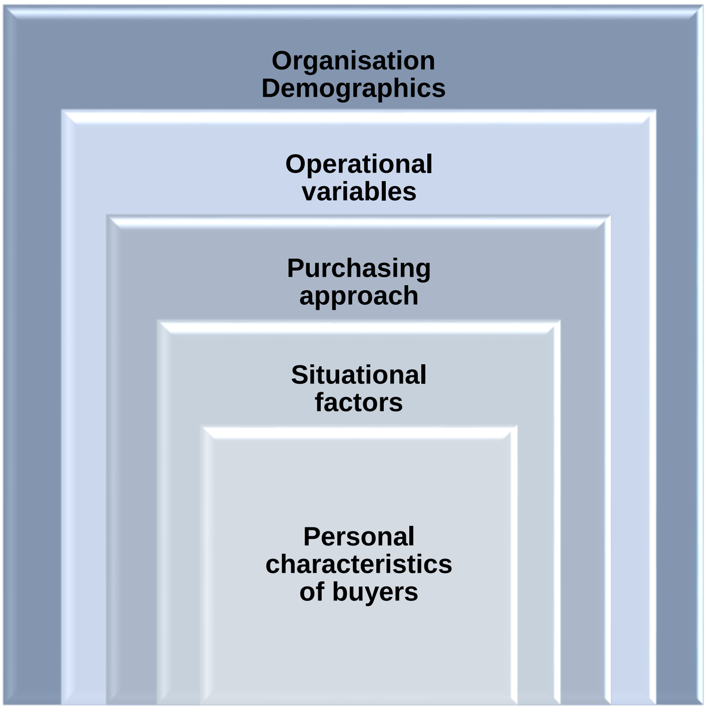

Figure 3.5: The nested approach to business-to-business market segmentation

Source: Adopted from Shapiro and Bonoma (1984)

- Demographic variables refer to aspects that are easy to observe and generally available information, such as company size, location and type of industry of customers.
- Operating variables are regarded as the type of business (e.g. manufacturing or services); whether it is a current or a prospective customer; loyalty to a specific brand; and other operational characteristics, such as level of key account integration required, that could be used to classify customers in a segment.
- Purchasing approach refers to aspects such as price sensitiveness; whether buying is done centrally or whether it is decentralized; policies that guide purchases; and the current relationship status with a customer.

- Situational factors include aspects such as the urgency of an order, the size of an order and the way in which a customer uses the purchased product or service.
- The most difficult and unseen characteristics of a customer are the personality traits of the person who makes the decision to buy. Some individuals are risk averse and will utilise more than one supplier. Others may prefer a good working relationship based on trust in a sales organisation's solutions. This information is often not obvious and may emerge as the relationship between a seller and a buyer develops.

The rationale behind this segmentation approach is the knowledge gained about customers, as segmentation information gets refined from the outside of the nest (demographic bases) to the inner part of the nest (personal characteristics). While all competitors will be able to access the outer layer of information, knowledge about the inner layers may prove to be the most useful segment descriptors – and may be privileged knowledge limited to marketers that are more sophisticated and have a closer relationship (Shapiro and Bonoma, 1984). Millier (2000) is very critical of aspects of this process. He questions, for instance, the choice of segmentation variables in the inner part of the nest, which may or may not be valid. Millier (2000) also remarks that it is not clear at what stage of knowledge segmentation should end. Clarke and Freytag (2008) argue that in an ongoing process of exchange, buyers and sellers make sacrifices and gain benefits. In a business-to-business marketing situation, the needs of customers could often dictate the resource deployment of suppliers. If it is a strategic intent of both parties to engage in a long-term business relationship, the segmentation objective will be to find as much detail as possible on the factors that will satisfy the strategic customers' needs. The focus will be on ways to add value to the solutions created for customers, while balancing it with the development and application of resources. Clarke and Freytag (2008) add that marketers should at no stage lose sight of the individuals that they deal with, as they can provide much needed information about access to opportunities in related target markets (Clarke and Freytag, 2008). Filip (2012) concurs that market segmentation in a business-to-business setting requires a two-stage approach. The first consists of macro segmentation and is recognised by variables such as geographical position, economic activity, size and company structure (e.g. head office and branches). A micro-segmentation phase where aspects such as the structure of the procurement unit and the buying criteria are considered important in-depth knowledge follows the first phase. The main advantage of this two-phase approach is that managers can decide how to best focus their research cost for in-depth understanding of buyer features by using the macro-segmentation phase as a way to qualify the segments that initially seem more attractive (Filip, 2012).

Casabayó *et al.* (2015) warn that knowledge of the outer bases of the nest needs to be supported with more sophisticated customer knowledge. Their research was based on a case study of the energy market in Spain. The segmentation sophistication of the case study organisation covered knowledge about the type and size of companies, as well as their product needs and geographical distribution - thus outer layer information. This segmentation approach did not assist in predicting customer behaviour. Sales staff complained that, for instance, not all the small restaurant owners (a known segmentation base) of a specific region (another known segmentation base) automatically reacted similarly to top-of-the-range solutions or seasonal discounts. Deeper analysis of the segments using the individual buyers of the customer companies revealed five segments based on attitudes. Attitudes fluctuated from uninvolved/impassive to active/demanding. Using a fuzziness technique to deepen the initial understanding of individual buyers in the market, they succeeded in constructing an understanding of the concept of segmentation where everyone was not boxed into one segment only. Fuzziness refers to a data analysis technique that assumes that segments are not clear-cut and crisp, but have some overlaps in the segment features (Cuadros and Domínguez, 2014). Although the segmentation exercise took longer than usual (information used for the analysis was gathered through in-depth personal interviews), the advantage of the knowledge gained allowed the organisation to design marketing strategies that were more successful in acquiring new customers, avoiding losing customers and increasing re-orders (Casabayó, Agell and Sánchez-Hernández, 2015).

According to Malaval *et al.* (2014), the nested approach's applicability is grounded in its alignment with the business-to-business purchasing process. They argue that in most business-to-business marketing situations there are several influencers such as the person(s) looking for information after a need has been identified and decision makers that consider the purchasing situation or operational variables (from the nested approach) to take the buying decision. To complicate the issue, there often are influencers that could sway the eventual purchasing decision – therefore the suggestion to also know and classify the market according to personal characteristics. Shapiro and Bonoma (1984) caution that marketers will have to use their intuition to decide at what point they have sufficient information to be able to segment the market and that the decision will always be a balance between the simplicity and low cost of using information from the outer parts of the nest, to the expense and sophistication of information from the inner layers of the approach. Evidence for the practical application of the nested approach was provided by Weinstein (2011) after his observation that this segmentation approach was widely acknowledged but seldom seen in action. His research was based on a case study of a global information technology solutions provider. The case study itself entailed research on segmentation practice in the USA market. After a considerable increase in competition, the management of this case study company realised that they needed to investigate innovative ways to identify new markets. Weinstein (2011) found that market opportunities showed up in every level of the nested approach. For instance, refining knowledge on the geographical distribution of their customer base indicated parts of the market not yet sufficiently covered. Understanding customers better as information towards the middle of the nest improved unveiled knowledge about their current customer base that could be applied to new markets Weinstein (2011).

More recently, Brotspies and Weinstein (2019) devised a conceptual model for market segmentation in the B2B marketing environment that should take care of meeting the needs of an indirect market – the so-called B2B2B market. In such contexts, indirect market segmentation is introduced when business marketers also need to consider the needs of their customers' customers. Applying knowledge about indirect market needs (standard or custom-made products) and market dynamics (growing or declining sales in the indirect market environment), B2B2B marketers may be in a position to plan better for future sales. Understanding the market environment of indirect customers may assist in creating marketing strategies that are based on the information about indirect customers' market situation. This may create a competitive advantage over business marketers that only focus on their direct customers in segmenting the market. When presenting their conceptual model, Brotspies and Weinstein (2019) remarked that such a model is not yet part of conventional marketing theory that should be taught by marketing academia.

It is no coincidence that the inside of the nested approach (Shapiro and Bonoma, 1984) is reminiscent of another marketing paradigm called relationship marketing. Proponents of relationship marketing suggest that investing in a business relationship will establish the kind of interactions that will result in improved financial performance (Palmatier *et al.*, 2008). A relationship is also considered as more important than the service experience by on-line shoppers (Verma, Sharma and Sheth, 2016). This may suggest that marketers for online markets may in future have to invest more in relationship development than in database growth. Relationship marketing is regarded as a strategic, process-oriented, cross-functional and value-creating practice that benefits not only marketers, but also their customers (Lambert, 2010). Established business relationships should facilitate gaining information about the personal characteristics of the individuals – the objective of the centre of the nest. The importance of relationship marketing in managing customer relationships is widely recognised in the literature (Tzempelikos and Gounaris, 2015). This is particularly so in the business-to-business market environment as customers are fewer and more powerful, markets are stable and buyer–seller relationships are considered as more complex and interdependent. Relationship marketing in this context is also referred to as key account management. It represents the implementation of relationship marketing. A key account is regarded by a marketer as a customer of strategic importance. Key account management essentially entails customisation of products and services according to the needs of a strategic customer. As such, key account management allows for a longer-term, strategic and mutually beneficial relationship between marketers and their key account customers (Tzempelikos and Gounaris, 2015). The objectives of key account management and those of market segmentation seem aligned – to focus on selected customer groups with a view to providing specific marketing offers and gaining economically.

Research indicates that customers benefit more from a key account management relationship than marketers do. Customers tend to use the relationship to drive prices from key suppliers down, sometimes to a point where the relationship could be financially unbeneficial for marketers (Davies and Ryals, 2014). In grappling with these contradictory views on the theory of relationship marketing benefits and practical reality, Davies and Ryals (2014) researched opinions from organisations which had a key account management system in place to assess the success of this practice from a marketers' viewpoint. Two hundred-and-nine (209) respondents from across the globe and representing senior managers from the services, engineering and manufacturing industries participated. Unlike other research that tends to focus on measuring one factor of key account management's effect, their research included multiple (financial and non-financial) aspects. As can be expected, relationship management had a positive effect on improving customer relationships and satisfaction. This correlates with research by Tzempelikos and Gounaris (2015), who found that key account management positively correlated with customer satisfaction, trust and commitment. Respondents felt that customer retention, keeping a higher share of customer spend, increasing revenues from key account customers and getting more word-of-mouth referrals were good to moderate. The weakest scores were recorded for cost to serve, profit margins and shared investment from key account customers (Davies and Ryals, 2014). Tzempelikos and Gounaris (2015) also found a weak correlation between relationship management and profit. Both research papers cited the high cost associated with serving strategic customers as the reason for this outcome. The results indicated that key account management practice met some of the market segmentation objectives of Shapiro and Bonoma's (1998) nested approach. Since respondents (marketers) were less positive about the financial implications of key account management, the real effect of such effort remains questionable. This seems to agree with an earlier finding by Palmatier *et al.* (2008) that relationship marketing results differed from one customer to the next and that it might even have negative financial and customer reaction impacts on marketers. Their research included the important matter of marketer/customer trust and the significant role that trust plays in a successful business-to-business marketing relationship. They found that marketers' relationship objectives should focus on and meet customer needs regarding the relationship. This seems to be closer to the market segmentation objectives of understanding target market needs better and providing marketing offers that address needs. It also agrees with findings by Scheer *et al.* (2015) that the unique value that customers get from key account management is the key to dependence on the relationship. They emphasise that more marketers are implementing relationship marketing initiatives and consequently customers have less appreciation for relationship activities that seemingly waste time. They advise that marketers can get more benefit from relationship marketing efforts if they plan for each strategic account according to its specific needs, implying one-to-one marketing tactics (Scheer, Miao and Palmatier, 2015). Understanding what needs customers have, even to the extent of detail such as wasted relationship marketing efforts for each customer, is recommended.

Lambert and Enz's (2012) three phase value co-creation process mentioned earlier could assist managers to plan the detail of managing individual customers of a market segment that was crafted on a macro level. Figure 3.6 depicts the approach to managing customer satisfaction.

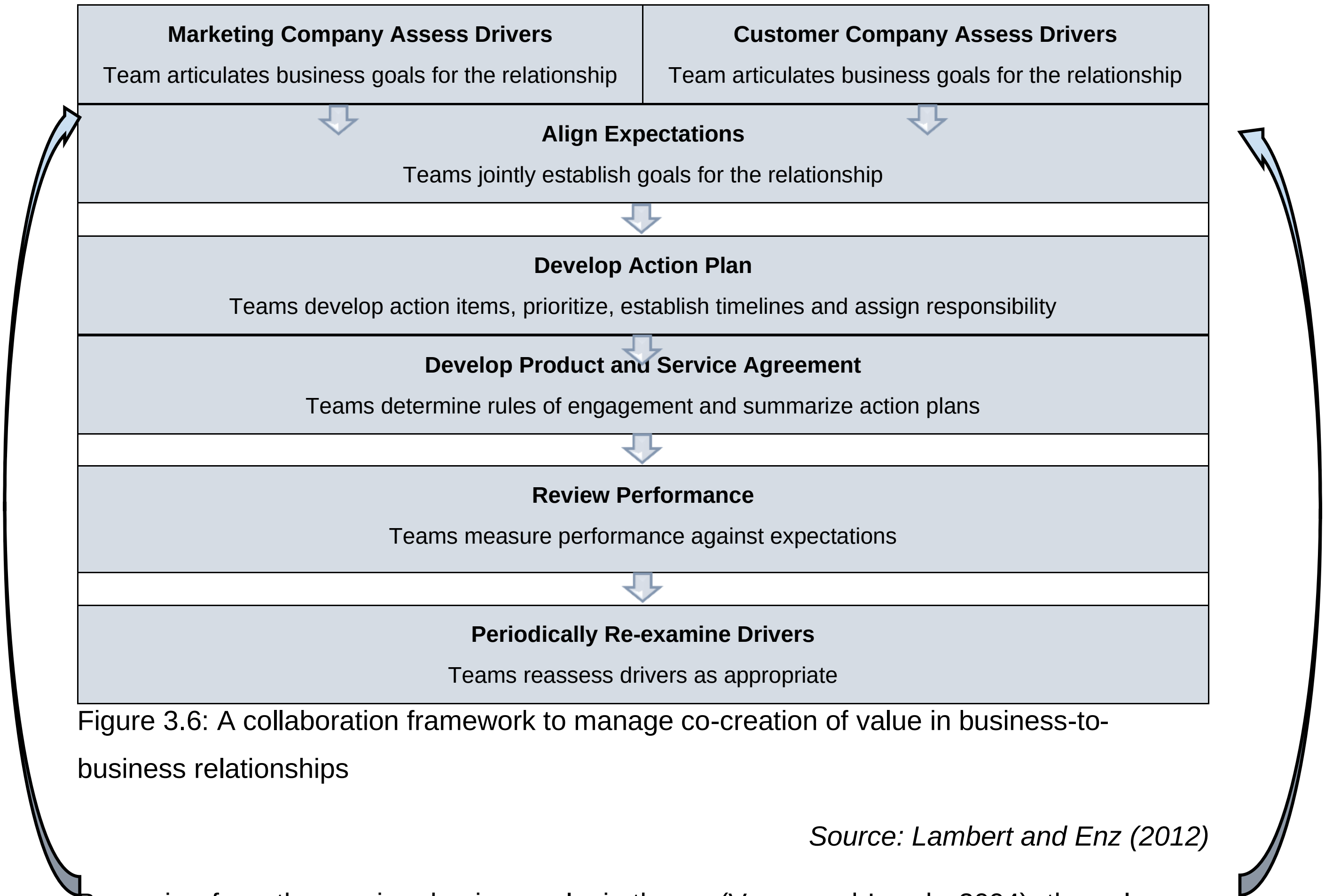

Figure 3.6: A collaboration framework to manage co-creation of value in business-to-business relationships

Source: Lambert and Enz (2012)

Borrowing from the service-dominance logic theory (Vargo and Lusch, 2004), the value co-creation model suggested by Lambert and Enz (2012) attempts to address what they regard as conceptual models that are overly simplistic and of little practical use to managers. One of the views of the disciples of service-dominance logic is that products are the mechanisms to deliver a service. The model encourages cooperation between members from different functions in both the marketing (supplier) and the customer companies. It is reminiscent of Davies and Ryals's (2014) notion of integrative key accounts management. Lambert and Enz (2012) found that integrative key accounts management contributed to marketing effectiveness in terms of improved relationships with customers; customer satisfaction; customer retention; share of key account customer spend; rate of growth in revenue; word of mouth referrals; profit margins per key customer; and shared investment between suppliers and key customers. The case study discussed by Lambert and Enz (2012) indicates that the initial relationship value was pushed from the customers' side, mainly for price reductions. This supports Davies and Ryals's (2014) contention that a key account relationship could be financially straining for marketers. Lambert and Enz's (2014) model presents a value co-creation drive benefitting both parties. This embodies the position of Kowalkowski *et al.* (2012) that as part of a practised theory paradigm, a co-creative approach to forming lasting value propositions depends on the exchange of knowledge between the participants from their respective environments. As such, managers from both parties need to exchange information to understand each other's environments, formulate procedures that will accommodate the process of value co-creation and engage often to facilitate the implementation of objectives. Kowalkowski *et al.* (2012) further investigated research on the introduction of a service to a niche market segment. The product and service were adjusted to meet requirements suggested by a sample of consumers from the niche market. Not all suggestions could be accommodated, as this would demand major changes to current systems. Modifications to the marketer's value proposition were synchronised with market needs - as opposed to internal changes that could be made without any impact on the market. The researchers did not share the full success of the outcome of the process, either financially or from a relationship and reputation perspective. In the case discussed by Lambert and Enz (2014), management of the marketing company took a strategic decision to align current systems, staff hierarchy and - most important - the company culture with the needs of their customer. Feedback provided by managers from both organisations attested to the changes in culture. For example, during the phase where the two teams jointly drafted value propositions, staff from the marketing company actively engaged with staff from the customer organisation to get to know their needs directly. This management practice is reminiscent of what McDonald and Dunbar (2004) referred to as strategic segmentation – a situation where marketers combine customer focus with a high level of integration of segmentation across functional activities. Market segmentation was used to guide strategic decision making and place the customer needs at the centre of organisational activities.

3.3 Market segmentation bases

The discussion of market segmentation bases starts with an overview of concepts. It then distinguishes between the application of market segmentation bases in the business-to-consumer context and the business-to-business context. Lastly, applying market segment bases choices in an international marketing context is addressed.

Essentially a market segment is a homogenous grouping in the market that will react in a similar way to marketing stimuli (Hooley, Piercy and Nicoulaud, 2012; Cravens and Piercy, 2013). Market segmentation *strategy* is to ensure competitive advantage by identifying segments of similar demand, target specific segments and develop marketing mix strategies for each target segment (Hunt, 2011). These statements emphasise the importance of using the correct market segmentation base to inform market segmentation strategy. Errors may occur in the downstream decisions that must be made if market segmentation bases are incorrectly applied (Dibb and Simkin, 2010); the selection of segmentation bases is influenced by the subjective judgement of people and therefore often unlikely to indicate the best way to segment a market (Dibb and Simkin, 1996). Bock and Uncles (2002) developed a taxonomy of alternative types of segmentation bases. Even though it provides guidance on the options, it does not consider the ways in which a given variable should be selected beyond the need for that variable to belong to a category type. Sarabia (1996) proposed a model to segmentation base selection but it is essentially derived from the standard evaluation criteria which could present measurement problems if implemented. An in-depth analysis by Tuma *et al.* (2011) reveals that only one market segmentation research study used a selection technique to motivate the use of market segmentation bases. Given the impact of this decision on the remainder of the segmentation process, they find this concerning. In fact Casabayó *et al.* (2015) point out that the selection of other bases could lead to different segments altogether. Kannisto (2016) argues that segmentation criteria can be based on common sense (such as middle-class consumers or medium sized companies) but they will always need to be validated through data analysis. Validation of segmentation bases will require data analysis to support the identification of market segments.

Market segmentation bases are regarded as the set of characteristics ascribed to a market segment which make it unique. They are also referred to as segmentation variables or base variables (Dibb and Simkin, 2008). As early as 1996, Myers (1996) noted that the number of market segmentation bases was only limited by the imagination of the marketer and/or researcher. Tonks (2009) supported Myers when he repeated the sentiments of earlier researchers that in any given situation there might be millions of ways to segment a market. For instance, Weinberg (1972) used an example of changes in needs for products and services for new-born babies over time, and suggested that the time sequence of events be considered as segmentation base. He did not suggest meaningful ways to keep track of these occurrences, which leaves marketing practitioners with an idea without implementation guidelines. Myers (1996) provides separate lists of possible variables for business-to-consumer and business-to-business segments. Demographic, geodemographic (a combination of demographic and geographic), product-related, lifestyle, psychographic and product/service based variables such as usage patterns, usage quantities, benefits desired, loyalty, price sensitivity, media consumption and reaction to innovations are some of the bases suggested for consumer segmentation (Myers, 1996). For business-to-business segmentation Myers (1996) suggests variables such as type of business, size of business, geographic location, application, quantity used, key account requirements, buying criteria used and purchasing process. Historically there was an understanding that simple segmentation bases, such as demographics, could assist in providing descriptors to segments, but real insights would be required about similarities in attitudes, buyer behaviour, aesthetic preferences and values for strategic segmentation (Yankelovich, 1964). According to Dibb and Simkin (2008), the most important requirement for the selection of market segmentation bases is that customers grouped into one segment have similar needs and buying behaviour. In some contexts, segmentation bases are regarded as discrimination against members of the broader society that may be excluded when one base is favoured over another (Newton *et al.*, 2013). In this specific social marketing context, researchers allowed their judgement to be informed by theories outside the marketing domain (integrative social contracts theory) to defend their choice of segment (Newton *et al.*, 2013). Research by Bhatnagar and Ghose (2004) on heterogeneity amongst Internet users when it was still in early adoption showed that researchers started to make sense of customers in new contexts by understanding the profiles of markets first. Bhatnagar and Ghose (2004) also expressed a need to understand markets from a diagnostic rather than a descriptive perspective to enrich an understanding of market segment characteristics.

Seemingly breaking away completely from the conventional understanding of market segmentation bases, McDonald and Dunbar (2004) propose that marketers first understand their market needs by mapping the various possible routes to the end user in the distribution network (value chain) between suppliers and final users. The distribution network should reflect the flow of value adding activities from suppliers to distributors to retailers and lastly to final users. Since the focus of market segmentation is on identifying differences in customer needs, the market map should include competitors, as their value chain activities represent satisfaction of market needs in a way that could be different from an own organisation. Research on the route (referred to as the path-to-purchase process) that shoppers take when purchasing, revealed distinct differences in behaviour (satisfaction of needs) in shopping stages. The path-to-purchase process commences when consumers become aware of a need. It then progresses through stages until a shopping experience assessment concludes the process. This research facilitated the segmenting of shoppers according to the specific needs that shoppers satisfy in the process, as opposed to more historical consumer orientation models (Jones and Runyan, 2016).

Relating to a focus on needs, Christensen *et al*. (2005) warn that most marketers still ignore the wisdom of Theodore Levitt that customers don't need drills, they need holes. This marketing truth reminds marketers that they always need to focus on needs satisfaction, while innovation will supply the products and services that address needs. According to Viswanathan *et al.* (2007), customers who search for information online when they want to purchase a new passenger vehicle have different needs. Customers looking for the best price will mostly pay for what they are looking for, but there are customers who need product related information and who are willing to pay more for the same product because their information needs are satisfied. Interestingly, one of the deep-rooted needs of online customers is to avoid discrimination when purchasing a vehicle on a physical motor vehicle floor. Meeting this need is rooted in psychographic rather than demographic profiles (Viswanathan *et al.*, 2007). Earlier research by Andronikidis and Dimitriadis (2003) also focused on psychographic segmentation in a services context. Researching bank customers in a European context revealed four distinct market segments based on psychographic features. All segments had one overarching need – to maximise their investment returns. Yet analysing differences between attitudes to and perceptions of financial services showed that several rational (need to increase investment value), emotional (sense of achievement) and intervening aspects (education) played a role in shaping different market segments based on psychographic bases. Knowing which segment an individual belongs to could assist marketers to tailor their investment advice and marketing communication messages to one of the psychographic profiles (Andronikidis and Dimitriadis, 2003). Christensen *et al.* (2005) assert that marketing programmes fail because marketers segment their market based on products and price points, instead of needs and value. Product features are communicated, instead of how needs will be satisfied. This marketing malpractice, as they refer to it, subsequently leads to poor marketing performance – especially at the costly innovation platform (Christensen, Cook and Hall, 2005). Differences in needs were also the focus of research by Tan and Lo (2008) on segments within the larger coffee drinking market in Hong Kong, a multicultural society that might differ from markets in similar coffee outlets in the United States of America. Instead of assuming that all coffee consumers have a generic need, they refined their understanding of this market. Rejecting socio-demographic as a variable because it cannot accurately predict behaviour, their analysis focused on differences in benefits sought. They identified four distinctly different needs, varying from consumers who were looking for atmosphere to those who required a fast and efficient service. This approach was shared by Christensen *et al.* (2005), who emphasised that marketers should understand the social, emotional and functional dimension of needs to successfully develop products and services that will address the needs set of market segments. They conducted a case study about the needs that different market segments fulfilled with the same product. In their case, it was a milk-shake that satisfied morning commuters' need to overcome boredom and early hunger on their way to work, and parents' need to get kids to calm down with a milk-shake in the afternoon on the way home from school. The parents also satisfied their own need regarding their role as loving parents. Understanding how to innovate product, delivery, communication and other marketing elements around these needs will provide opportunities to excel in meeting needs in all identified market segments (Christensen, Cook and Hall, 2005; Tan and Lo, 2008). In these contexts it is important to keep in mind Michaelidou's (2012) view that customers switch brands as their needs differ depending on the occasion. This accentuates one of the marketers' dilemmas when segmenting markets. Market segmentation intentionally leads to including some customers of the total market, while excluding others.

At its most basic, marketers could argue that needs differ according to the needs hierarchy developed by psychologist Abraham Maslow. The needs hierarchy fluctuates between basic biogenic needs such as food, water and a place to live. In a quest for continuous improvement, humans tend to strive for the satisfaction of ever-higher levels of needs. Maslow's theory of a hierarchy of human needs is based on the principle that people tend to satisfy the lowest level of needs (Schiffman and Wisenblit, 2015) but as soon as this is achieved, higher level needs satisfaction emerges. According to Schiffman and Wisenblit (2015), needs are those things that customers want or require and which shape user behaviour. Needs satisfaction was also the focus of research done by Reutterer *et al*. (2006) when they identified consumer needs in the retail Do-It-Yourself (DIY) market in the USA. Targeting two segments with well-defined needs (for tiling products and for gardening products) with specific marketing communication, they tested the reaction of the target segments' members to the marketing communication that addressed their needs. The communication was a series of mail and e-mail messages, followed by another message in which a discount coupon was provided, calling the target market members to specific action. A control group of randomly selected customers who did not share the specific needs of the target segment members was included in their experiment. Their research indicated that well-defined and selected target markets undeniably react positively to marketing communications that address their specific needs. The positive reaction was measured with regards to sales, profit, return on advertising investment and return on investment overall (Reutterer *et al.*, 2006). McDonald and Dunbar's (2004) argument is that marketers should primarily understand the needs of different decision makers in the value chain - and that the need of each decision maker may possibly represent a market segment. Understanding the market structure in this way offers a basis to estimate the percentage split between the different routes that products/services follow before they reach the end user. Variances in the percentages of different routes could be indicative of the importance of segments. Traditional segmentation base descriptors are then used to label the different segments and provide a profile for each (McDonald and Dunbar, 2004).

According to Wedel and Kamakura (2000) segmentation bases are divided into general and product specific bases and then further into observable and unobservable criteria. Table 3.2 summarises this classification, which applies to both business-to-consumer and business-to-business markets.

Table 3.2: Classification of segmentation bases

	General segmentation bases	Product-specific segmentation bases
Observable criteria	Variables include criteria such as culture, geography, demography and socio-economic factors.	Variables include criteria such as user status, usage frequency, loyalty and specific situations.
Unobservable criteria	Variables such as psychographics, values, personality and lifestyle.	Variables such as psychographics, perceptions, benefits sought, intentions, preferences and attributes.

Source: Wedel and Kamakura (2000)

Observable general bases include criteria for which secondary information is generally easy to access. This includes characteristics such as gender, age, geographic location, socio economic situation and culture. Cultural characteristics refer to groups that share observable characteristics such as a religion, race or country affiliation (Hooley, Piercy and Nicoulaud, 2012). Observable general segmentation bases are an approach prescribed in many marketing textbooks today. For instance, under general and observable bases Armstrong *et al.* (2017) list variables such as geographic and demographic factors. Under general unobservable bases, they mention psychographic and behavioural segmentation. Baines *et al.* (2005) reported on the accepted practice to use demographic segmentation for political party campaigns to increase their share of vote in the United Kingdom. At the time, it was critical for political parties to understand the sentiments of the undecided voter to gain them as supporters. Dibb and Simkin (2008) distinguish between profile base and product-behaviour base variables for consumer segments and base variables for business market segments. They add that the advancement of data analysis technology makes it easier to combine a variety of variables to determine market segment features. Within the classification depicted in Table 3.2, there are many iterations of variables that can be selected. Very early on Plank (1985) suggested that marketers should as far as possible use a multi-step segmentation approach to provide the most comprehensive view of market segments and target markets. Mahajan, Agarwal and Agarwal (2008) comment that marketers use a combination of demographic (general observable), psychographic (general unobservable) and needs based (product specific unobservable) segmentation. They add that it seems that different users from one organisation apply market segmentation differently, as it represents different needs. For instance, advertising copywriters may find psychographic segmentation helpful to guide the wording in advertising messages and media choices made by customers, while salespeople would be more interested in the buying power and loyalty of members of a specific segment. Thus, different segment bases will be used to define segments based on segmentation needs in an organisation.

As confirmed by Armstrong *et al*. (2017), there is not a single or correct way to segment a market. This was mentioned earlier by researchers such as Bailey *et al.* (2009), who found that companies divide their existing and potential customers into groups, but that they all use different approaches. Rigopoulou *et al.* (2008) state that segmentation may lose its allure to marketers, because they apply it in a simple and thus limiting manner. This is because marketing practitioners often keep to a segmentation process according to specific, commonly used criteria. This approach is often not the most appropriate for a particular buying decision/situation. It also confirms an earlier observation by Vriens (2001) that the quality of the identified segments depends on the market segmentation variables that are used. Marketers are therefore encouraged to experiment with combinations of criteria to find the best possible segmentation base for achieving their marketing objectives. Tonks (2009) comments on the dilemma of validation of segment variables and states that, for example, age is an easy to recognise variable – and therefore simple to validate. There are other constructs such as life-style, values and brand loyalty that are more ambiguous and less likely to be validated scientifically. In this regard, Shavitt *et al.* (2016) posit that social class and consumer behaviour go hand in hand. Social hierarchy dictates much of consumers' behaviour, such as where they live and what they consume. In economies where there are notable fluctuations in affluence, knowledge of social classes could assist in predicting the differences in how consumers think and therefore react to marketing stimuli. Shavitt *et al.* (2016) refer to researchers who suggested that social class might influence the thinking styles of members of specific social classes, which in turn might influence the ways in which these two segments react to marketing strategies such as brand extensions, persuasion in advertising and a unique selling proposition. While working class may be less complex to validate, thinking styles could be a challenge. Tonks (2009) elaborates by stressing that combinations of segment variables inevitably require complex algorithms for validation purposes and that they often do not provide clear answers to the elusive nuances of consumption.

Uncertainty in selecting suitable segmentation bases has led to some confusion as to the correct way of applying market segmentation theory. In this instance, different academic authors suggest different approaches to selecting an appropriate segmentation base that applies to the two broad markets, namely B2C and B2B markets. The summary in Table 3.3 provides examples for both environments as an illustration of differences in opinion amongst academic authors about market segmentation bases.

Table 3.3: Business-to-consumer and business-to-business segmentation bases suggested by researchers and authors

Author(s)	Business-to-consumer (B2C) segmentation bases	Business-to-business (B2B) segmentation bases
McDonald & Dunbar (2004)	Propose an approach where market needs are clearly articulated and then mapping it to consumer and business markets.	
Dibb & Simkin (2008)	Suggest profile-based variables such as demographics, socio-economics, geographic and personality, motives and lifestyle. Refine with product-behaviour based variables such as benefits sought, purchase occasion, consumption patterns and attitude towards product/service.	Use base variables such as business demographics, operating variables, purchasing approach, situational factors and personal characteristics of the buyer.
Hoffman *et al.* (2009)	No clear guidelines on segmentation variables other than classifying consumers with similar needs into market segments.	
Cant *et al.* (2010)	Geographic Demographic	Demographic Operating variables

	Psychographic Behavioural	Purchasing approaches Situational factors such as specialist application Personal characteristics such as business values
Dibb *et al.* (2012)	Demographic Geographic Psychographic Behaviouristic	Company demographics Operating variables Purchasing approach Situational factors (e.g. urgency) Personal characteristics of buyers
Jooste *et al.* (2012)	Geographic Demographic Psychographic Behaviouristic	Demographic Operating variables Purchasing approaches Situational characteristics Personal characteristics
Wiese & Du Plessis (2012)	Geographic Demographic Psychographic Behavioural	Location Organisation type Behavioural characteristics
Cravens & Piercy (2013)	Do not discriminate between B2C and B2B markets. Their approach is to use market characteristics such as market complexity and market turbulence to decide on market segments.	
Venter & Jansen van Rensburg (2014)	Explain needs-based segmentation, then use variables such as demographics, psychographics, geography and product use to profile the market	Explain needs-based segmentation, then use variables such as personal characteristics, relationship characteristics, customer type, demographics, product application and buying situation to profile the market
Armstrong & Kotler (2015)	Geographic Demographic Psychographic	Geographic Demographic Benefits sought

	Behavioural	User status Usage rate Loyalty status

It is important to note from Table 3.3 that there are several different market segmentation bases suggested by marketing academics. South African researchers and authors (Cant, Van Heerden and Ngambi, 2010; Jooste *et al.*, 2012; Venter and Jansen van Rensburg, 2014) replicate recommendations from authors elsewhere, but emphasise the universal LSM as a uniquely South African way to profile consumer markets for this country. As early as 1978, Wind distinguished between *a priori* segmentation design and *clustering-based* segmentation design*. A priori* is based on known knowledge about the market - such as demographic, psychographic, socio-economic and other relevant characteristics - and uses that as a basis to distinguish between segments. Dolnicar, Grün and Leisch (2018) emphasise that *a priori* segmentation is used only if one segmentation variable is applied. It is also referred to as convenience-group or common sense segmentation (Dolnicar, Grün and Leisch, 2018). Wedel and Kamakura (2000) explain that with *a priori* segmentation the type and number of segments are determined before data are collected. An example is where a marketer may decide to segment the market based on gender, income or location. These bases are generally known and the decision on what to look for is taken before data collection. Rigopoulou *et al.* (2008) caution that a priori segmentation bases may provide clearly delineated segmentation profiles but may not be the most suitable for managerial logic. In the case of Singapore Airlines and their ability to seemingly provide superior service year after year, the focus of their service development and provision is based on keen insights into travellers' lifestyle, a generally unobservable base (Wirtz, 2009). It should be mentioned that Singapore Airlines' management combine this focus with both market- and learning orientation management philosophies.

Using multiple segmentation bases is referred to as a posteriori, cluster-based or post hoc segmentation (Dolnicar, Grün and Leisch, 2018). Cluster-based segment design relies on variables that are relevant for segmentation from an organisation's point of view. These variables could include needs, benefits sought and attitude. Dolcinar, Grün and Leisch (2018) suggest that a combination of market segmentation bases from Wedel and Kamakura's (2000) segment base classification is used. The notion correlates with that of Hooley *et al.* (2012) that marketers should typically describe a segment further to build a more complete picture of the characteristics of a segment. Tonks (2009) cautions that the association between multiple bases should be logical. For instance, geographical region may be combined with usage rates if it is known that usage rates differ between different regions. In research by Newton *et al.* (2013) the primary segmentation base was on highest level of qualifications, because the ability to read was an important condition for the social marketing message that they wanted to communicate. Given the diversity of languages spoken in the overall market, it made sense to discriminate further between segments based on language. Discrimination between segments and based on multiple bases can be either concurrent or predictive. For instance, concurrent validity may explain the extent of a connection between gender and brand loyalty. Predictive validity may explain the extent to which the likely adoption rates for innovation can be predicted by something like life stage (Mitchell and McGoldrick, 1994).

Authors such as McDonald and Dunbar (2004) have proposed that market segmentation should be done from a demand side perspective, using market needs as the most powerful discriminator for different segments. They argue that no amount of market characteristics, such as demographics, could predict market needs. This agrees with the views of Barry and Weinstein (2009) who posit that psychographic segmentation seems to attract preference to demographic segmentation – even in the B2B environment. They caution that frameworks for classifying B2B customers along psychographic features are subjective and difficult to measure.

McDonald and Dunbar’s (2004) position is also supported by Patsiotis, Hugh and Webber (2012), who found that general demographic characteristics were *not* the main drivers of consumers' segment membership. Their research focused on adoption of innovation and whether segments could be formed and described based on differences in adoption rates in the larger group of adopters. Segments in their research findings could be based on consumers’ propensity for adopting technology in the banking industry. In the same vein Navis and Glynn (2010) mention that the acceptance of an organisation by the market as a legitimate provider is an important prerequisite before a marketer can expect to get the attention of the intended audience.

Hiziroglu (2013) states that the choice of segmentation base is influenced by market segmentation objectives. These objectives include exploring the potential of new markets, developing existing customer potential, increasing profitability, improving target market measures or identifying new markets. The opinion echoes that of Mahajan *et al.* (2008), who postulate that different users of market segmentation have different objectives in mind even in the same organisation. They provide the example of advertising practitioners that would like to communicate a specific message to consumers with a similar psychographic profile, while sales staff would be more interested in similarities in buying behaviour. The two objectives differ and therefore the segmentation bases will be different to provide answers depending on the particular objective. Mahajan *et al.* (2008) do not offer a solution for this potential conflict of interest that may occur in organisations. An objective that focuses on maximum profit only might not be regarded as desirable, according to Rangan, Chu and Petkoski (2011), who base their observation on the value that organisations could add if they target markets at the base of the pyramid, which is a living standard segment. The base of the pyramid theory suggests that new business opportunities are possible from a strategy that designs for, and distributes goods and services to, poor communities (Vermeulen and Hütte, 2014). The growing realisation that poor communities are individuals with unique value needs has initiated a fresh look at this broad market. Rangan *et al.* (2011) observe that organisations that target these markets could create a snowball effect on their returns through investing back into their markets, thus creating more opportunities for consumption and growth. If marketers do not end the relationship after having successfully delivered a good, customers can also become suppliers or marketers can add value in other ways to poor communities. Examples are where small-scale farmers become part of the value chain in some poorer countries and where marketing companies start to lobby on behalf of these communities for causes such as better sanitation. The cases mentioned all point to one marketing truth – really understand the needs of the market and create value for customers, clients, partners and society.

The differences in segmentation bases mentioned may contribute to the uncertainty amongst marketing practitioners on the application of the correct approach.

3.3.1 Business-to-consumer segmentation bases

These segmentation bases refer to the description of a consumer market segment based on its observable and unobservable (Wedel and Kamakura, 2000) characteristics. These include demographic, geographic, socio-economic, cultural and psychographic variables. Marketers like using these variable because they are regarded as intuitive and easy to associate with (Tsai and Chiu, 2004).

Tynan and Drayton (1985) provided a very early example of the use of this market segmentation base when they reported on research that focused on age as a market segmentation base. They conducted research to obtain information on the needs of the market in a society where people are getting older. The context of their research was to inform marketers about the characteristics, size and potential of a market segment defined by age. They found that age alone was a poor discriminator for needs and that information on attitudes and behaviour yielded more useful consumer insights for marketers. Tsai and Chiu (2004) share this sentiment, declaring that the claim that similar demographic features are indicative of matching purchase behaviour is doubtful. Horneman *et al.* (2002) found that Australian tourists aged between 65 and 74 could be classified into six distinct segments based on attitude and behaviour descriptors. This made much more sense to marketing practitioners who could target specific segments with tailor-made marketing value propositions that addressed needs (as a segment base) of different segments. Guido *et al.* (2018), in research that focused specifically on techniques described in marketing and consumer literature about segmenting elderly consumers, found that selecting a market segment based on age alone could be limiting. They analysed marketing literature from 1970 to 2018 which covered techniques used to segment the elderly market. They concluded that changes in social, technological, financial and economic environments had dramatically influenced the consumer behaviour of a seemingly homogenous market segment distinguished by one common sociodemographic attribute, such as age.

Tynan and Drayton (1985) also found that the descriptor that was used at the time for life cycle segmentation was too broad to be of any real practical value to marketers. Rangan, Moriarty and Swartz (1992) confirmed that as market segments mature, it becomes more difficult to refine segmentation on criteria that are used by all competitors. As markets mature, products and services become more commoditised (Lamb, Hair, Joseph and McDaniel, 2012). Under conditions of commoditisation, marketers rely on lower prices in the hope of attracting the attention of price sensitive consumers. The research of Rangan, Moriarty and Swartz (1992) emphasised the importance – even back then – of identifying the price *and service* combinations that attracted a larger share of the market while still making it economically worthwhile for the organisation. Price and service combinations were used to discriminate between market segments with homogenous needs. In similar vein Powers, Thomas and Trawick (1993) conclude that there is far more to a market segment than just its age attributes. Therefore, marketers should be clear on the psychographic and behavioural characteristics of a market segment that can initially be identified through an attribute such as age. Segmentation research that attempted to link various segmentation bases to political party preference in the United Kingdom found that age and gender provided no bases for discrimination (Baines *et al.*, 2005). But as Tsai and Chiu (2004) point out, customers in a similar demographic segment pursue the consumption of personalised products and services. It is thus difficult to determine consumption patterns by using general segmentation bases. The historical research cited so far indicates that researchers have agreed for some time that a simplistic a priori market segmentation base is seldom enough to discriminate between market segments in a way that makes it useful for marketers to apply as marketing strategy. In a more recent study, Neuts *et al.* (2016) have discovered that social demographics, previous service experience, user motivation and service characteristics all play a role in determining the most valuable market segments. Sudbury-Riley *et al.* (2015) found that Baby Boomers, a consumer group that could be regarded as one age and lifestyle-based segment by marketers, could actually be segmented further, based on the perceptions individuals of this group have about themselves. Baby Boomers is a United States of America named consumer group born between 1946 and 1964 (Lamb, Hair, Joseph and McDaniel, 2012). The term is commonly used amongst marketers to refer to consumer groups from other countries that share similar characteristics. Baby Boomers from the United Kingdom, Japan, Hungary and Germany responded to a survey that indicated two separate segments, called the young-at-hearts and the old-identifiers. The research of Sudbury-Riley, Kohlbacher and Hofmeister (2015) pointed to the importance of taking cognisance of theories that are often not specifically part of marketing theory. In this case, self-perceived age as part of gerontology (the scientific study of age) influenced consumer behaviour. As such, it is important from a marketing practitioners' perspective (Sudbury-Riley, Kohlbacher and Hofmeister, 2015).

Yankelovich and Meer (2006) assert that psychographic segmentation may provide insights about individuals' lifestyles, preferences, aspirations and attitudes, but does not offer any predictive power regarding what consumers will buy. This is confirmed by Mahajan *et al.* (2008), who state that marketing communication campaigns based on psychographic market segmentation bases are able to move customers emotionally, but do not necessarily motivate commercial behaviour. They may thus be useless as a management instrument for marketers who need to know how to attract and retain customers. The introduction of psychographic market segmentation stems from social science insights applied to business decisions. Personality tests used by psychologists paved the way for attitudinal indicators that reflected market segment members' shared view of their world (Yankelovich and Meer, 2006). Yankelovich and Meer applied the widely used Values and Lifestyle (VALS) framework used by marketing managers from the United States of America to guide them in segmenting the consumer market. VALS classified individuals according to nine psychological types; it was developed by sociologist Riesman and psychologist Maslow (Yankelovich and Meer, 2006; Mahajan *et al.*, 2008). The rationale behind the VALS model is that an individual's consumption behaviour can be explained by connecting it to one of the described psychological types. Care should be taken not to use these classifications blindly, but to tie them to the context of the product or service that is provided and to the objectives of the firm. Yankelovich and Meer (2006) give the example of a bank that segmented their high-wealth customers by gaining insight into psychographic traits like lifestyle, aspirations and attitudes towards investment.

While some segmentation bases - such as lifestyle - would be difficult to determine scientifically, the problem of establishing accurate segmentation bases is intensified by respondents themselves (Tsai and Chiu, 2004). Some demographic features may be withheld ("*guarded"*) by respondents and getting a complete demographic picture of a market may be time consuming and costly (Tsai and Chiu, 2004). It should be remembered that demographic variables include information such as age, gender, income and highest qualification (Armstrong and Kotler, 2015). Respondents may be reluctant to share information of such a personal nature. Earlier research by Baines *et al.* (2005) analysed data in an attempt to predict correlations between segmentation bases and political party preferences after an initial analysis had indicated that more than a quarter of United Kingdom respondents were reluctant to disclose their preferred political party. Their research showed that the image of a political party (based on what it promises and how it delivers on promises) is the best predictor of voter intentions. In this specific case, product (political party) differentiation played a more important role than trying to demarcate the market based on any segmentation bases (Baines *et al.*, 2005). Supporting this specific view about political party differentiation, Gardner *et al.* (2005) found that issues that were relevant to particular potential voters were often completely ignored in campaigns. Gaining the trust of potential voters was regarded as the most important predictor of voter behaviour (Gardner, Rees and Tsiantia, 2005). Tsai and Chiu (2004) point out that segment characteristics alter over time and that information about income, marital status and occupation may change quickly – adding to the cost and effort to keep up to date with information contained in a dataset used for market segmentation demarcation. To overcome these realities, Tsai and Chiu (2004) developed a market segmentation approach based on the identification of market segments according to purchasing behaviours of customers. Their model uses purchase data, which consists of transactions, customers and products. A purchase-based algorithm is developed based on the similarity between purchased items and the profitability of each customer. A sophisticated purchase-based similarity measure function is used to create market segments. Market segments represent customers with similar purchase behaviours, moving away from any demographic classification as a base for market segmentation. Bhatnagar and Ghose (2004) were convinced that Internet shoppers constituted a large group in the market that primarily shopped online because of convenience. They discovered that while convenience was the common denominator for Internet shoppers, satisfying needs for security and brand trustworthiness was of utmost importance. Internet shoppers would be willing to pay more for the same product if they perceived a low risk of losing their money – which also relates to brand trust (Bhatnagar and Ghose, 2004).

Changes in individual needs over time resulting in brand switching behaviour were researched by Michaelidou (2012); highly loyal/committed customers and low loyal/committed customers were regarded as two separate market segments. It was found that consumers that were not very committed generally had a higher need for different experiences and variety. The need for variety originates from a psychological cause, which is a study field outside that of most marketing practitioners. Consumers that need more variety tend to plan shopping trips (avoid going back to the same shopping experience), will look for alternative shopping platforms (such as online shopping) and are motivated by a need for convenience (Michaelidou, 2012). The research disclosed differences within a larger variety-seeking group - that could be regarded as one homogenous group - which motivated different marketing approaches. For instance, one of the clusters/sub-segments had a low need for sensory experience - knowledge that online marketers could use to their advantage, as online shopping does not provide for the use of senses such as smell, feel and taste. While the research from Tsai and Chiu (2004) indicated that segments could be identified that shared similarities in the profitability associated with purchasing behaviours, it is not clear whether segments will react differently to segment specific marketing programmes. This is one of the most important economic motivations for using market segmentation as part of marketing strategy (Tsai and Chiu, 2004; Dolnicar *et al.*, 2012; Armstrong and Kotler, 2015). An attempt was made by Obilo and Alford (2018) to use attitude to confirm different market segments. The focus of their research was to use attitude to physical fitness of consumers in the USA to discriminate between market segments. They applied a qualitative and quantitative research approach and their findings indicated an additional approach to market segmentation based on a functional approach to attitude. It is important to add that their research did not profess to use attitude as a measure, but understanding the psychological drivers (ego, process or utilitarian) behind different identified attitudes can assist marketers in developing custom developed marketing strategies to cater for the needs in the different market segments (Obilo and Alford, 2018).

Lifestyle segmentation is a popular segmentation base used for a variety of consumer goods and services (Zhu *et al.*, 2009). It refers to grouping individuals according to how they live and spend their time, how important their surroundings are to them and what they think about broad social issues. It may include socio-economic characteristics such as education and level of income (Dibb *et al.*, 2012). This segmentation is popular, because it offers a more life-like representation of individuals in a segment. Examples are different credit card categories, cellular phone device features and vehicle model differences aimed at specific lifestyle segments. In a contemporary context, lifestyle may be represented by social media usage (Hill, Beatty and Walsh, 2013). Pires *et al.* (2011) focused their research on the suitability of segmenting according to ethnic grouping. They confirmed that members of the same ethnic group have relationships and orientations amongst each other due to shared values and community resources that supply marketers with unique behaviour clues. They argue that marketers tend to overlook the possibilities of detailed analysis of ethnic groups, because ethnic groups are often classified under "Other" as a segmentation base descriptor for the demographic variable in which race plays a role (Pires, Stanton and Stanton, 2011). Staying with culture as a lifestyle base, Alvarez *et al.* (2014) offered insights into Hispanic consumers in the United States of America. Marketers could easily regard this as a homogenous group, based on demographic segmentation bases such as language and ethnic group. It was discovered that cultural changes amongst members of this group validated four distinct segments based on cultural adaptations made during their stay in their new home country. Their analysis was supported by acculturation theory (the study of adjustment to different cultures), which looks at cultural changes influenced by extensive contact between different cultural groups. This broadened the understanding of changes and homogeneities in terms of behavioural aspects such as response to advertising, discount coupon consumption and brand loyalty (Alvarez, Dickson and Hunter, 2014).

Zhu *et al.* (2009) scrutinised lifestyle as a segmentation base when they tested the likeliness of specific lifestyles to choose specific product attributes. Their research, based on consumers of mobile handsets in China, probed the demand for what they termed hedonic features. Apart from the general functional attributes of cellular handsets, there are also attributes that satisfy needs for the joy of experiencing the use of a feature (hedonic need) and for which price discrimination is possible. Corresponding to this research, Kim and Lee (2017) investigated the personal characteristics of male fashion consumers from South Korea who preferred to purchase tailor-made clothing. They focused their data analysis on consumers who wanted to buy clothes that were out of the ordinary and set them apart from traditional clothing ranges, thus satisfying a need for clothes with hedonic features. They found that individuals in this lifestyle segment would go out of their way to buy clothes from stores that stocked (mostly imported) brands positioned to represent above average social competence and personal grooming (Kim and Lee, 2017). Earlier Khan *et al.* (2012) revealed the close link between buying imported products and satisfying psychological (for social status) and physiological (for product quality) needs in the elite lifestyle market segment in Pakistan. The results of their research suggest that the country of origin is used frequently as a reference for product quality or the prestige value that its consumption signifies. Contrary to this finding, Cui *et al.* (2014) found that attitudes to imported goods were strongly influenced by individuals' hostility towards the country of origin, the level of immersion in a foreign culture and the evaluation of foreign cultures compared to the consumers' own culture. The data analysis by Zhu *et al.* (2009) revealed four lifestyle segments with four distinctly different consumption behaviours for cellular handset service features. They found that the target markets all reacted positively to the marketing message and promotion (coupon), while the control group did not react in a similar manner. One segment (named the Fashionable Consumer) reacted differently to more fashionable and quality features than the other three segments, satisfying its need for hedonic features. They concluded that it was possible to position bundles of product attributes in different consumer lifestyle segments (Zhu *et al.*, 2009). Research by Hansen *et al.* (2010) stressed the need for refining lifestyle as an initial segmentation base. They uncovered several sub-segments inside a lifestyle segment that decided on becoming members of loyalty cards. The focus of their research was to identify the loyalty customers that behaved in a way that favoured the organisation owning loyalty programmes after it had transpired that there was no evidence that loyalty card consumers were actually loyal to the brand (Hansen, Deitz and Morgan, 2010). Given the popularity of loyalty card membership in many countries, understanding the diverse membership base in a way that could predict behaviour would add value to the segmentation effort of organisations that manage or plan loyalty programmes. Their analysis provided four distinct membership classes with needs that varied from customers searching for better-priced deals between competitors to keen involvement and active support of the service offered. Different segments required different marketing approaches and confirmed that resource allocation to the most loyal group of loyalty card members would safeguard high returns.

The sophistication of lifestyle segmentation is evident in a programme exploring lifestyles and values, called the Value and Lifestyle Programme (VALS) by Stanford Research Institute (Dibb *et al.*, 2012). Initially categorising consumers into three groups, it now has eight basic lifestyle groups: Innovators, Thinkers, Achievers, Experiencers, Believers, Strivers, Makers and Survivors. Marketers use the details of the characteristics of each group for product/service development, as well as market segmentation. Some countries in Asia have developed their own VALS rating system, such as Japan-VALS and China-VALS (Zhu *et al.*, 2009), indicating the value that marketers ascribe to this resource. In South Africa, demographics such as race, where consumers reside (urban or rural dwellers) and income were historically regarded as the main differentials to segment the South African consumer market (SAARF, 2015). To move away from this crude segmentation approach, a new segmentation instrument called the South African Living Standards Measurement (LSM) was developed. In the late 1980s the then South African Advertising Research Foundation (SAARF) set out to develop an index using a combination of variables which would be stronger than any single variable and thus more useful for marketers to segment the consumer market. The index used variables already in place in the SAARF All Media and Products (AMPS) survey that would be strong discriminators to segment the South African consumer population in a more meaningful way (SAARF, 2015). Today the SAARF's Universal Living Standards Measure (SU-LSM), as it is known, has fourteen LSM segments which reflect differences in access to services and ownership of durable products. Apart from LSM groups, other segmentation descriptors for

South African consumers include attitude, life stage and lifestyle (SAARF, 2015). Nine lifestyle groups were formed based on the consumption of events, such as sports and entertainment events, or participation in other social activities. Unfortunately the SU-LSM output from SAARF is currently on hold, following a change in its mandate that has not been implemented yet (SAARF, 2015). In 2015 The SAARF mandate was replaced by the Broadcast Research Council of South Africa (BRC), whose research output focuses on radio and television audience's geographic and demographic particulars and based on socio-economic profiles of the South African population (*https://brcsa.org.za,* 2019).

Valentine and Powers (2013) researched the psychographic and media usage characteristics of the consumer group in the USA that is known as Generation Y (also known as the Millennium Generation). Generation Y refers to a younger group of consumers that grew up with modern technology that earlier generations are still adjusting to. Since they also grew up in a world that is more accessible, one of the features of the group is that they travel more, are exposed to various cultures and consequently are regarded as people with more tolerance for differences amongst cultures. Earlier research revealed that Generation Y consumers trust brands more that support social causes and would therefore be inclined to support them more. They also tend to react more positively to advertising that is unpretentious (Noble and Schewe, 2003). Marketers could easily assume that this is a homogenous group and develop marketing programmes aimed at Generation Y. Noble and Schewe (2003) note that trade journals often refer to a generation in terms suggesting that the group is a market segment in its own right. Valentine and Powers (2013) found that Generation Y consumers could be classified mostly into three of the eight VALS lifestyle segments. This finding alone indicates that marketing practitioners must adjust their marketing value propositions and communication to suit the needs of the different VALS consumer groups. The research revealed that Generation Y relies more on electronic media for advertising information with limited use of print media to find information. It was also clear from a deeper analysis that there are media consumption differences between gender and VALS lifestyle segments (Experiencers, Strivers and Achievers) that marketers should consider if they want to ensure that they reach specific segments based on the detailed information. While academic research in the South African context that compares to research results from Valentine and Powers (2013) is lacking, there are suggestions to augment original SU-LSM variables with values, which are regarded as an important driver for attitudes and behaviour and thus move away from the purely quantifiable variables currently used for segment discrimination (Ungerer and Joubert, 2011). Planning is underway to replace the current SU-LSM descriptors with socio economic measure (SEM) descriptors.

An environment in which segmentation research features prominently is the tourism industry. One of the reasons is that destination marketers have multiple stakeholders who focus on many different market segments. While segmentation research has been done on bases such as customer preferences (Denizci Guillet and Kucukusta, 2016; Khoo-Lattimore and Prayag, 2015), lifestyle (Srihadi *et al.*, 2016) and motivation (Rid, Ezeuduji and Pröbstl-haider, 2014), Tkaczynski *et al.* (2009) warn that the widespread use of demographic bases for tourism market segmentation is disputed. Their argument is that no segmentation base can predict consumer behaviour. They confirm that the popularity of demographic segmentation is based on its being accessible and measurable and therefore it will probably remain in use as segmentation frameworks (Tkaczynski, Rundle-Thiele and Beaumont, 2009). Tsai and Chiu (2004) also maintain that segmentation which is based on general segmentation bases is easier to manage, since it is more intuitive. The research of Tkaczynski *et al.* (2009) focused on the similarities between the segmentation approach used by destination marketing organisations and tourism stakeholders. To clarify, a destination marketing organisation would be an entity such as Cape Town Tourism which takes responsibility for marketing the city of Cape Town as a generic destination. Tourism stakeholders in Cape Town are all the restaurants, accommodation providers, places of interest, adventure activities and other attractions that could be visited by tourists going to Cape Town. As customers for tourism destinations are so diverse, destination marketing organisations cannot tailor marketing messages to every market segment need. The review of tourism destination research by Tkaczynski *et al.* (2009) indicated that most tourism researchers used a combination of segmentation bases - up to four segmentation bases in some cases (Tkaczynski, Rundle-Thiele and Beaumont, 2009). They also found that researchers tended to rely on surveys to develop tourist segment profiles. In the case study used for their research (Tkaczynski, Rundle-Thiele and Beaumont, 2009) the destination marketing organisation applied segmentation bases that could profile tourists in a broad context, such as life stage and geographic location. Characteristics such as age, income, number of travellers in a typical family group, type of transport used, and the average length of a trip described the segments. This information served as a basis to estimate segment sizes. Neuts *et al.* (2016) developed a model for predicting customer value based on identifiable (socio-demographic) characteristics, consumer motivation, service experience and service characteristics to predict the probability of return business. This rather complex model illustrated that the broad market could be categorised into segments according to differences in needs for the length of sea cruise holidays. Older customers had a propensity to book longer cruises, but previous service experience was detrimental to their loyalty. Tkaczynski *et al.* (2009) found that, apart from age, income and geography, tourism stakeholders were also interested in segmenting their markets based on the activities that tourists wanted to participate in, their motivations for selecting the services of a particular stakeholder and the purpose of the vacation. They found that stakeholder segmentation reflected a more in-depth knowledge of behavioural segment bases, such as specific activities that interest tourists. They also found that some of the bases, such as age, used by destination marketing organisations are not used by tourism stakeholders for marketing purposes. They concluded that closer liaison between destination marketers and tourist stakeholders on the market segmentation bases could result in a more productive allocation of resources for marketing messages (Tkaczynski, Rundle-Thiele and Beaumont, 2009).

Some research reveals segments within segments. For instance, Khoo-Lattimore and Prayag (2015) researched the accommodation preferences (an unobservable product specific base) of females (an observable general base) in the market for girlfriend getaways. This market consists of groups of females that spend time together on vacation, as opposed to female business travellers. Their research was done to pinpoint specific accommodation preferences for groups of female travellers, after research from Smith and Carmichael (2007) and Newth (2011) indicated segment attributes for female travellers. The significance of Khoo-Lattimore and Prayag's (2015) research is that six distinctly different market segments were identified based on the importance attached to accommodation and service attributes in hotels. An initial assumption based on gender could be made about similarity of needs and preferences for this segment, but Khoo-Lattimore and Prayag (2015) found that the seemingly homogenous market had distinct needs differences. One segment focused on “Safety and security” above all else, while another segment’s main motivation was “Activities and entertainment”. While researchers established that the main motivation for groups of female travellers that go on vacation together is to spend time with friends, Khoo-Lattimore and Prayag's (2015) research succeeded in breaking down the seemingly homogenous need into heterogeneous groups with distinctly different motivations for selecting the type of accommodation preferred. This implies that marketing managers could target the different segments with messages about the main motivations of the different segments and craft packages specifically addressing these needs. Since the research focused on respondents from East Asian countries who were loyalty members of one hotel group, they cautioned that more research was needed to confirm these findings. They also admitted that the sample size fell short of the prescribed requirements for effective data-driven segmentation (Dolnicar, Grün and Leisch, 2014).

3.3.2 Business-to-business market segmentation bases

The features of business market segments place a high premium on segmentation success. For example, business marketers deal with a smaller number of customers, but the value of transactions tends to be higher (Malaval, Bénaroya and Aflalo, 2014). Demand for business goods is a function of consumer demand and it is therefore referred to as derived demand. For instance, if the demand for new motor vehicles slows down, the consequent demand for tyres fitted to new vehicles during assembly will also slow down (Armstrong, Kotler and Opresnik, 2017). Business marketers should therefore also understand their customers' markets to be able to predict changes in demand. Competition is more intense – there are generally fewer customers in an industry. In addition, the validity of market segmentation research may be compromised if the market itself is too small to provide stable data (Ernst and Dolnicar, 2017). Business buyers further tend to operate in more structured and formal settings. Purchasing units, rather than one individual, often make buying decisions in organisations. As Barry and Weinstein (2009) point out, salespeople in a business-to-business setting are confronted more often with formula-driven buying than consumer marketers. There tends to be more interaction between a marketer and its customer in a business-to-business marketing situation (Armstrong, Kotler and Opresnik, 2017). Often a business marketer will have to provide guarantees on delivery dates, quantities and specified quality. Credit arrangements are also often part of the final deal concluded. The business-to-business market environment thus requires a different strategic marketing approach than consumer marketing (Dibb *et al.*, 2012). As early as 1984, Shapiro and Bonoma declared that many business-to-business marketing dilemmas stem from poor market segmentation. It is evident that business marketers adopted market segmentation as strategy when looking at the reaction from Urger (1974) (a marketing practitioner) to research published by Wind and Cardozo (1974) (two marketing academics). Urger (1974) acknowledges that market segmentation implies creative and different ways to segment established markets to uncover fresh marketing opportunities. He contends that this is only possible when business-to-business marketers clearly understand the peculiarities of the needs of their customers' end user (consumer) markets. This was not clear from Wind and Cardozo's (1974) recommendations for a conceptual approach to market segmentation in this context. Wind and Cardozo (1974) recommended a two-stage market segmentation approach (macro and micro segmentation). While macro segmentation includes bases such as geography, industry and size of firm, micro segmentation is determined on any base that makes sense to the business marketer's organisation, such as buying strategy, buying decision process, price sensitivity (Wind and Cardozo, 1974) or psychographic features (Barry and Weinstein, 2009).

In a business-to-business marketing context, Shannahan *et al.* (2016) explain that companies most often use qualifiers such as sales volume and value; profit potential; and customer lifetime value to distinguish between market segments. These characteristics are known and can be extracted from a customer database normally available to managers. Much earlier Rangan *et al.* (1992) stated that market segmentation in a business-to-business context is not complete without a deeper understanding of customer behaviour. They acknowledged the known bases such as geographic location, business size, type of industry, product benefits sought, buying situation and customer decision-making style, but added another layer of understanding based on the trade-off that businesses make between price and service levels – thus a behaviour-based feature. This was confirmed by Thomas (2016) when he concluded that academics and marketers should continue to explore ways to refine multi-stage market segmentation. His research focused on ways for business marketers to use the principles of market segmentation to probe their markets and gain competitive advantage. Thomas (2016) recommended that marketers gain insights from their customers (as a first stage), but then explore opportunities that could be locked up in understanding customers' customers (as a second stage). An example is when university business schools sell their services to human resource developers (the primary market segment) but provide education to students (secondary market segment). Exploring the needs of students may uncover market needs as input to develop marketing strategies that may be more beneficial to all clients in the marketing stages. As such, secondary clients could influence the relationship between a marketer and its primary client (Thomas, 2016). The research by Thomas (2016) confirms the market segmentation process suggested by McDonald and Dunbar (1998) in which they suggest that understanding different market needs in the value chain may be the best guide for segment formation. Multi-stage market segmentation provides additional challenges for academic researchers, such as development and testing of suitable market segmentation models.

Millier (2000) is in favour of utilising management and entrepreneurial flair as part of creating market segments. He argues that the rigour required during the statistical screening of segmentation data alienates marketing practitioners in the business-to-business marketing environment from converting to market segmentation. Millier (2000) insists that managers dare not take management decisions based on the outcomes predicted by management decision models, statistics and measurements alone. The example used by Millier (2000) relates to the unfolding of market segments in a new-to-the-world technological offering where no markets existed before and managers must rely on a combination of formal forecasts and intuition to guide decisions. As never before seen products (new product categories) are invented and become recognised during the phases in innovation development and diffusion, the market attention shifts from the new product category to individual suppliers of new technology (Navis and Glynn, 2010). It is during this shift in focus from the excitement of an innovation to specific suppliers to support, that marketers need to rely on their business acumen and instinct to gauge market sentiment. This also applies to investors (a market segment) who shift their focus from new category characteristics to individual organisations in which to invest (Navis and Glynn, 2010). Millier (2000) urges academic researchers to assist marketing practitioners to develop models to accommodate intuitive decisions. As such, market segmentation could be used as a planning tool, instead of a way to explain segments (Thomas, 2016). Research by Rangan *et al.* (1992) identified four business-to-business market segments that ranged from very price and service sensitive bargain hunters to buyers who did not put in much effort to research price and service differences between suppliers. For the latter segment, the product purchased was not strategic in nature, while bargain hunters were always looking for a better price and a better service for products that were strategic inputs into their processes. Marketers that are aware of these differences in customer behaviour (and the changes that may occur with each customer) would be in a better position to alter price and service options based on the knowledge of differences in market segment needs – instead of providing the same price/service to everyone. This approach may end up in not satisfying the needs of portions of the initial target market. Research by Floh *et al.* (2014) supports the notion that perceived value influences buyer intentions, but that differences in magnitude between value propositions define segments. Their analysis offers insights into the behaviour of three segments:

- Rationalists who place a high premium on functional and economic value.
- Functionalists who value user friendly and reliable service more than functional and economic value.
- Value Maximisers to whom all the dimensions of the value proposition are important. These customers value affective dimensions such as emotional and social aspects, as well as cognitive dimensions such as functional and economic value.

The management implications of this research derive from the analysis of the segment sizes. The Rationalist segment was the biggest, thus it would make sense for organisations to target this market and develop marketing propositions focusing on satisfying those needs and excluding other segments. Smaller organisations, however, might opt to select other segments because they could adjust their resources to cater for the needs in these niche markets (Floh *et al.*, 2014).

Weinstein's (2014) research confirmed that marketers who focused on one segment understood the business better (them being part of the business) and were the most successful. Multi-target market segment organisations tended to be unfocused and embrace a broad one-size-fits-all solution. A precise target approach implies that great care should be taken in deciding on the market segmentation bases that will apply, as this decision is the directive for all market segmentation decisions that follow.

Filip (2012) advises that buyers in this context should first be classified on the observable and known bases such as geographic location, the types of goods required, the size of the organisation and other general observable characteristics. Filip (2012) then proposes that the knowledge of segments should be further refined by bases such as purchasing processes used, the propensity to develop business relationships, the frequency at which customers buy, the complexity of the buying process and individual buyer personality traits such as willingness to collaborate in a business relationship. As early as 1992, Rangan *et al.* suggested that segmentation based on product benefits alone was difficult to sustain as markets matured. One of the features of maturing markets is an increase in the number of competitors, especially for business-to-business market products that tend to be commoditised and therefore difficult to sustain on a differentiation other than lower price (Dibb *et al.*, 2012). Rangan *et al.* (1992) used twelve variables and developed four micro-segments based on variations in customer buyer behaviour. This segmentation approach requires sales staff to judge customer reactions to changes in price and service levels and could therefore be subjective. Their case study provided evidence on segments for which prices could be lifted to a marginal premium without affecting sales and segments which would not react strongly to changes in service levels. In both cases market segment analysis indicated opportunities for increasing profitability in very specifically identified micro-market segments (Rangan, Moriarty and Swartz, 1992). Research that factored the role of competitors (again using price and service levels as dimensions) in forming market segments, was conducted by Söllner and Rese (2001), who claimed that market segmentation theory was biased towards customer focus only when proposing market segmentation approaches. Competitors are usually considered during the marketing strategy planning process when a strengths – weaknesses – opportunities – threats (SWOT) analysis is done (Armstrong, Kotler and Opresnik, 2017). Söllner and Rese (2001) suggest that customers are already part of a value chain, especially in a mature market context. Understanding competitors consequently means that customer knowledge is factored in by default, if competitors provide a service to customers that satisfies their needs. The reason is that competitors tend to follow similar strategies in the pursuit of customers in each industry. Competitive analysis should focus on the intensity of retaliation expected when a market segment is targeted where competitors are already established. The density of competitors in an industry would also provide clues to the economic attractiveness of the market.

Scrutinising micro-segmentation bases, Barry and Weinstein (2009) borrowed from consumer market segmentation theory and suggested psychographics as a way to garner more insight (and gain more financially) from business-to-business markets. In light of the case explored by Simkin and Dibb (2011) dealing with the difficulties experienced by business-to-business marketers in a mature and commoditised context where the price/service iterations are commonly used to understand and segment markets, it seems logical to study personality (psychographic) traits of customers in an effort to provide guidance for intelligent target market selection. Barry and Weinstein (2009) argue that organisations have specific identifiable cultures just as consumers have specific lifestyles and personality. In cases of new technology purchases (where the products and suppliers are not well known), they note psychographic features that go beyond observable segmentation bases. According to Navis and Glynn (2010), new technology introductions often provide opportunities for previously unknown entrepreneurs to enter the market as specialist suppliers. It also means that buyers' risks increase, as they must purchase an unfamiliar concept from suppliers whose credentials are not yet established. Barry and Weinstein (2009) acknowledge that psychographic segmentation in a business context is subjective, difficult to measure and often not empirically supported, but based on a practical case study they recommend that marketers understand the risk profile of the buyer or buyer group as a psychographic segmentation base. Buyers avoid risk by forming long-term relationships with known sellers. This correlates with the early opinion from Shapiro and Bonoma (1984) that the inner part of their nested approach is understanding the risk profile of buyers. Another form of risk avoidance and the role that it plays to segment business markets where sales staff classify customers according to levels of difficulty in dealing with different personality types was raised by Shannahan *et al.* (2016). Considered a highly subjective approach; their suggestion on market segment bases goes beyond sales volume and profitability (usually sought-after customers based on known segmentation bases) and includes buyer personality traits and character as another level of segmentation aimed at improving sales through improved seller/buyer business relationships. Barry and Weinstein's (2009) case study research demonstrated that business-to-business customers could be segmented according to psychographic bases. It benefitted the case organisation to allocate resources to selected target markets and thus provide a solid base for practical application. Both cases (Barry and Weinstein, 2009; and Shannahan *et al.*, 2016) suggest that a key account management approach be followed to allow the marketing company access to customers in order to formulate psychographic bases. It also makes sense to develop key account management schemes for target markets (Armstrong, Kotler and Opresnik, 2017).

Looking at market segmentation from a demand side perspective, Lanzolla and Frankort (2016) explore online business-to-business marketers' challenge to reach customers that cannot be segmented in the traditional sense. Online markets do not have the social network associated with relationship marketing in business environments. While marketers can introduce mechanisms to attract customers, customers do supplier selection in an online context. The value of gaining psychographic insights from customers (Barry and Weinstein, 2009) or segmenting according to customer personality type (Shannahan *et al.*, 2016) is to an extent not available for online business-to-business marketers (Lanzolla and Frankort, 2016).

Lanzolla and Frankort's (2016) research, based on thousands of business-to-business marketers that sold a variety of goods on a platform created to facilitate sourcing of potential suppliers in Italy, attempted to find answers to the dilemmas faced by marketers who would traditionally segment the market and select target markets to focus on. Their analysis addressed contact initiation from buyers – the request for a quotation – to understand what attracts buyers to a specific online offering. It revealed that institutional quality (the extent to which marketers are subjected to formal scrutiny to comply with prevailing rules and laws) and legal status (indicating whether a seller is a sole owner or a corporate organisation) play a significant role in persuading customers to initiate online contact with marketers. As these are offline organisation based activities, it supports marketing theory in the sense that marketing is a process of customer engagement to create and deliver reliable value, which constitutes the building blocks for trust (Lamb, Hair, Joseph and McDaniel, 2012; Armstrong, Kotler and Opresnik, 2017).

3.3.3 International market segmentation bases

Researchers agree that although international marketing plays an important role in safeguarding the growth of an organisation, it places additional pressure on resource management (Sousa and Bradley, 2005; Foedermayr, Diamantopoulos and Sichtmann, 2009; Papadopoulos and Martín, 2011). Sousa and Bradley (2005) assert that international marketers tend to reduce risk by expanding to markets to which they feel closer psychically, the argument being that an adjustment to differences in language, culture, lifestyles, customer preferences and spending power is easier when selecting export markets which marketers relate to on a subliminal level. This could be one way for management to deal with the rationality of a decision that is constrained by limited information, limited time to make decisions and/or limitations on models that support such decisions (Papadopoulos and Martín, 2011). When marketers feel more at ease with foreign market dynamics on a psychological level, it may be easier to judge marketing decisions such as pricing for target segments (Sousa and Bradley, 2005). Cleveland *et al.* (2011) posit that many international brands get most of their business from markets close to their domestic base. Country selection is one of the most important decisions that management must make when taking the strategic decision to export. Selection implies choosing between countries, while segmentation means market segmentation in the selected countries (Papadopoulos and Martín, 2011). Cleveland *et al.* (2011) point out that organisations wishing to export should first segment on countries - if a country and its inhabitants are appropriate as a unit of analysis. Global marketing implies global competition and therefore the critical importance of an effective marketing strategy is evident. Market segmentation allows marketers to focus on similarities between segments in different countries, which could allow for homogeneity in products, brand image and other marketing aspects (Foedermayr, Diamantopoulos and Sichtmann, 2009).

Contrary to the sentiments expressed by Foedermayr *et al.* (2009), Filip (2012) is of the opinion that a geographic segmentation approach should be used for business-to-business marketers who enter international markets, because different international markets will require different marketing approaches, particularly regarding distribution value chain management requirements. Tanusondjaja *et al.* (2015) address segmentation for emerging markets (characterised by developing infrastructure and resources and higher growth rates) to test the assumption of many researchers that consumers from developed and emerging economies are dissimilar. Differences in culture, traditions and values could provide a basis for brand perception variances requiring alternate marketing approaches for successful positioning. They confirm that researchers often did not discount accessibility as a meaningful explanation for differences in perception and that recent developments in distribution infrastructure in many emerging markets could change that. Turning some conventional beliefs about these heterogeneities on their head, they found few differences between consumers in emerging and developed economies. The only evidence that they established for differences in behaviour was attributed to specific areas within countries where global brands were not available. Their research spanned across seven countries and included seven product categories (Tanusondjaja *et al.*, 2015). Papadopoulos and Martín (2011) postulate that market segmentation analysis should be easier with the development of more sophisticated information systems. Steenkamp and Ter Hofstede (2002) assert that selecting the correct international segmentation basis is the most crucial step in international market segmentation. They argue that general observable segmentation bases (e.g. geography, demography) are easy to access, but provide limited guidance for developing practical strategies. They caution that international segmentation should pass the rigour of the three types of construct uniformity - functional, conceptual and then category similarity. Failing this, perceptions may differ on international market segments as perceptions on the meaning of a segmentation base may differ depending on the country (Steenkamp and Ter Hofstede, 2002). Papadopoulos and Martín (2011) assert that country selection takes priority over decisions on market segmentation. Earlier Katsikeas *et al.* (2000) emphasised the role of rewards for international distribution partners in relationship management. These could include providing export advice, training staff, ordering new products and performing other actions that constitute the basis for a good working relationship between an exporter and the importer/agent. Although Katsikeas *et al.* (2000) did not attempt to use the different reward factors as a base for market segmentation, their research emphasised the importance of selecting distributors/importers in target countries that performed well on the identified reward elements. It is reminiscent of the two-stage segmentation approach suggested by Gaston-Breton and Martín Martín (2011): marketers segmented for specific countries and then used the reward elements identified to segment the market and select an importer/agent/representative according to their requirements. These suggestions support the strategic importance placed on export country selection by Papadopoulos and Martín (2011). The incentives that an importer or agent could offer include:

- Supply relevant market information about business conditions in the target export country.
- Provide business advice.
- Assist with staff training.
- Give advertising and sales promotion support.
- Pay invoices on time.
- Buy a broad range and be willing to buy new products.
- Place large orders.
- Reduce orders from competitors.
- Furnish export market research.

Even when market segmentation is done for international markets, as Hassan and Craft (2012) point out, a mere geographic breakdown may be inadequate for global customers who are becoming homogenised across country borders. They support earlier research that suggests that behavioural and lifestyle bases should be added to refine initial crude geographic segmentation. This comment agrees with that of Steenkamp and Ter Hofstede (2002) that values and lifestyle segmentation plays an important role in international market segmentation, since both values and lifestyle constitute well identified and substantial segments; they are also based on validated measurement systems. Steenkamp and Ter Hofstede (2002) do, however, acknowledge that lifestyle as a segmentation basis is not well grounded. Cannon and Yaprak (2011) remind marketers to consider how societies evolve over time, because globalisation exposes cultures to evolution. They assert that segmentation bases may shift because of this phenomenon and what initially may seem like a heterogeneous market could transform as the dynamics of cultural interaction influence behaviour. Lemmens *et al.* (2012) confirm that market segmentation is dynamic and not as static as some scholars may suggest. Their research was based on new product adoption for six product categories in seventy-nine countries. They found that different countries shared similar innovation adoption patterns, which points to similarity in market segments regarding behaviour and attitude to new product introductions. Their research provided valuable guidelines for marketers that want to use adoption rate in one country as a reference for expanding to other countries and are looking for similarities across international boundaries, as was also suggested by Ko, Kim, Taylor, Kim and Kang (2012). The research by Lemmens *et al.* (2012) offers a solution to fluctuating market segment homogeneity during a typical product life cycle. They recommend that marketing practitioners adopt a dynamic segment approach that reflects reality.

Gaston-Breton and Martín Martín (2011) propose a two-stage market selection and segmentation model. Their research is in response to their perception that earlier researchers tended to place different aspects of market segmentation in an international marketing context in silos. Acknowledging the cost associated with customer data collection in diverse countries, they maintain that a more advanced approach could be useful in market segment effectiveness. Stage 1 of their two-stage model takes care of country selection by using available models to guide attractiveness, while Stage 2 employs customer level insights such as values. Referring to the views of Sousa and Bradley (2005), Gaston-Breton and Martín Martín (2011) claim that values specifically provide a base for across country segmentation, because they offer insights into markets with cultural similarities to known domestic attributes. Although this applied to the European Union context, they found that countries could be grouped based on the dominance of values such as hard work, determination, independence, avoiding waste, obedience, tolerance and respect for other people (Gaston-Breton and Martín Martín, 2011). Cleveland *et al.* (2011) also looked at openness to other cultures. In the case of international market segmentation, the benefits of a more sophisticated and multi-based approach to market segmentation can be summarised as follows:

- It allows marketers to leverage economies of scale in their product/service positioning strategies aimed at homogeneity within different countries. Effective segmentation could reduce the duplication of marketing cost when similar segments can be targeted across country boundaries.
- It enables marketers to develop strategies based on consumer behaviour variables as opposed to country specific geographical differences. Research by Cleveland *et al.* (2011) revealed that marketers could follow a homogenous marketing approach but had to know when to adjust marketing according to specific needs.
- It refutes the notion that consumers in a specific country are homogenous.
- It gives insights into market segment homogeneity that transcend borders. This allows for the identification of market growth opportunities when similar segments are targeted across international borders - a sentiment supported by Gaston-Breton and Martín Martín (2011) and Ko *et al.* (2012).

Hassan and Craft's (2012) research confirmed that market needs tend to converge across national boundaries. They proved how traditional international market segmentation strategies highlighted differences and minimised homogeneity. The use of their suggested multidimensional segmentation bases combined with an appropriate positioning strategy could have a positive effect on brand leadership in global markets. They also confirmed that the choice of market segmentation base (whether country or buyer behaviour factors) determines the positioning strategy that will be applied. Earlier Cleveland *et al.* (2011) found that although drivers of market behaviour are diverse across cultures, there are instances where marketers could standardise marketing strategies across countries. However, marketers should take note of the qualifying demographic dimensions as they might vary considerably across countries and product categories. For example, Cleveland *et al.* (2011) established that in most of the countries included in their survey females' consumption of luxury goods was similar. For technology goods and clothing, an age demographic segmented markets across countries into high and low frequency consumers (Cleveland, Papadopoulos and Laroche, 2011). De Mooij (2015) clarifies the use of models for cultural segmentation in response to criticism from other researchers. Researchers (from different countries) often interpret the term "culture" differently. She points out that a problem arises when researchers do not specify which cultural concept they refer to when reporting on it. Acknowledging different authors, de Mooij (2015) explains that culture could be defined as a shared meaning system or collective programming of minds that enables distinctions between cultural groups. Values, as a key component of collective programming, may be the main definer of culture. Marketing practitioners should be keenly aware of these differences, because what one culture could consume as a way of life (Coca-Cola was used as an example), may be regarded as a show of status in another culture. She recommends that marketers regard the following in their application of culture to grasp marketing and consumer behaviour in an international context:

- Understand the concept of culture and the working of dimensional models before doing cross-cultural research.
- Only compare countries, not individuals, when using comparative data.
- Avoid using a self-developed questionnaire. Use recognised work, such as Hofstede's Value Survey, which is available in the public domain (www.geerthofstede.eu).
- Ensure that samples match the measurement of culture with other dimensions. Student samples, for instance, are inadequate.
- Use labels that are different from original models when developing dimensions from scales that are self-assembled.
- Study conceptual content of the dimensions used properly before stating a hypothesis. For instance, if countries are compared regarding appeals in advertising, hypotheses can be set only after understanding cultural relationships of product category related consumer motives.

- Be careful not to formulate ethnocentric questions using lists of values or advertising appeals developed in one specific country context for cross-cultural comparison (with reference to Yaprak's (2008) advice). Pollay's list of advertising appeals serves as an example. This list reflects values in a USA context without considering the cultural values in other countries.

There are cases where consumers segment themselves. In research that echoes the sentiments of Tonks (2009) that marketers segment markets but don't create consumers, Sudbury-Riley, Kolbacher and Hofmeister (2015) found that consumers have a self-perceived age – which could invalidate age group as a segment base. Their research involved Baby Boomers in several countries. They found that Baby Boomers divide themselves into two separate segments based on their own perception of their current age. International marketers should be aware that there may be similarities amongst Baby Boomers from different countries, but take note of their self-created perceptions which may influence consumers' behaviour (Sudbury-Riley, Kohlbacher and Hofmeister, 2015). Similar to Cleveland *et al.* (2011), Sudbury-Riley *et al.* (2015) found differences in the values treasured by these two segments. For instance, consumers who perceived themselves as young-at-heart cherished self-fulfilment, self-respect, good relationships and achievement.

In an earlier attempt to help marketers make sense of macro-segmentation bases in an international context, Peterson and Naresh (2000) built on previous research on language, religion, economic development and/or geography as macro segmentation bases for international markets. Recognising that a segmentation basis such as region could ignore dramatic differences in societies within a region (Southern Africa was singled out as an example), they suggested using quality of life (the general state of well-being of citizens in a country) as a differentiator - the argument being that international data on quality of life differences could be used as an input. These data contain both rational and emotive measures. Quality of life is also a function of a market system where the sophistication of trade systems (marketing) shapes overall growth (Layton, 2009). An example is state-of-the-art malls that opened in South Africa in neighbourhoods previously only known for political struggle. The opening of malls creates a sense of general well-being amongst consumers, one of the constructs of quality of life (Dolnicar, Lazarevski and Yanamandram, 2013). Quality of life could be used as an international segmentation base, because it benefits marketers and decision makers. For instance, quality of life classification differentiates between countries such as Haiti and Barbados who seem similar in their geography. Based on quality of life segmentation bases, Barbados could be preferred as an export target market. Other countries forming a similar cluster (segment) as Barbados are Brazil, Argentina, Greece, Portugal and Bermuda (Peterson and Naresh, 2000).

Research attempting to provide answers to the usefulness of international market segmentation theories used sportswear marketing, where rapid globalisation is evident from brand names such as Nike, as context. Acknowledging the paucity of research on market segmentation that cuts across international borders, Ko *et al.* (2012) hypothesised about the existence of cross-national market segments. Researchers such as Steenkamp and Ter Hofstede (2002) and Lemmens *et al.* (2012) advocated segmentation where homogeneity can be found across countries. Evidence of such homogeneity could prompt an international marketing strategy that allows standardisation of products, communication, delivery and other marketing elements. Acknowledging that there are natural differences and similarities within and across borders, their research attempted to find similarities across borders to allow for the benefit of economies of scale originally foreseen by Smith (1956) when he proposed market segmentation as an alternative to mass marketing. Their research, conducted amongst university students from different parts of the globe (thus different cultures), proved that a global approach to market segmentation amongst sportswear consumers could be viable. The study supported the idea that there is a trend toward a common global consumer culture. The findings further highlighted the usefulness of lifestyle as a segmentation base. Four lifestyle segments based on demographics, sportswear purchasing behaviour, intention to buy and product attributes respectively, were identified (Ko *et al.*, 2012).

Attempting to formulate guidelines for international market segmentation effectiveness, Foedermayr *et al.* (2009) assumed cross-border homogeneity but acknowledged that export markets could not be regarded as a single entity. Concerned about the lack of research on international segmentation effectiveness, they referred to earlier research by Foedermayr and Diamantopoulos (2008b) in which segmentation success consisted of a psychometric measure as a four-dimension construct. The model, developed from an in-depth literature review, peer reviewed by faculty and international marketing experts and tested for collinearity and validity, suggests that the success of international market segmentation be based on the constructs shown in figure 3.7.

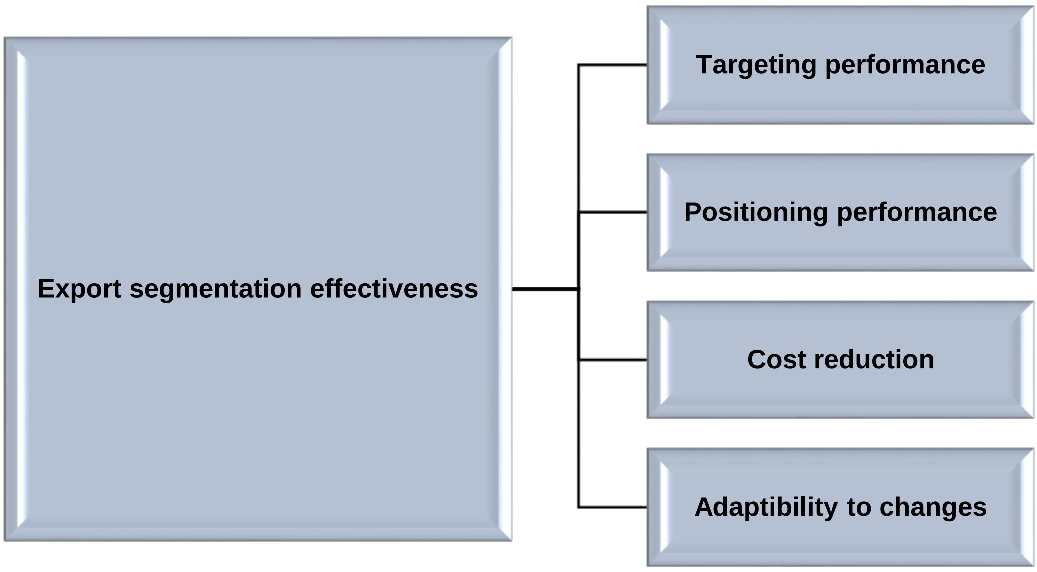

Figure 3.7: International market segmentation effectiveness framework

Source: Adapted from Foedermayr et al. (2009)

Targeting performance relates to elements that focus on matching the needs of customers to the organisations' marketing offerings (Foedermayr and Diamantopoulos, 2008a). In-depth knowledge of customer needs allows for more accurate tailor-made marketing programmes (Armstrong, Kotler and Opresnik, 2017).

According to Foedermayr and Diamantopoulos (2008a), positioning performance refers to the ability of an organisation to position its goods in the target market better than competitors. It implies that strategic decisions such as similarity of positioning strategies for all international markets were taken, as suggested by Hassan and Craft (2012).

Cost reduction refers to the savings in operational costs due to segmentation. Marketing mix costs are reduced by allocating resources according to standardisation opportunities that arise from segmentation (Foedermayr and Diamantopoulos, 2008a).

Management ability to adapt to changes in the different international environments plays an important part in judging the effectiveness of the global segmentation effort. One of the objectives of segmentation is to allow for faster adaption to market changes, because of the focus placed on target markets. This dimension also refers to the agility with which management can react to cross selling and providing add-on services opportunities (Hassan and Craft, 2012).

Regarding the application of their suggested framework to management, Foedermayr *et al.* (2009) warn that marketing practitioners should be aware that the different construct elements are not equally important. They suggest that managers focus on the positive impact that constructs such as positioning and cost saving have on market segmentation effectiveness. As mentioned by researchers such as Dibb *et al.* (2012), strategies that improve organisational performance are favoured by management.

Although it could be regarded as somewhat outdated, an in-depth analysis of international market segmentation research revealed pertinent areas for a future research agenda for international market segmentation (Foedermayr and Diamantopoulos, 2008b). It includes:

- Market definition research to understand the underlying strategic objectives of organisations when making segmentation choices.
- Understanding the role that factors such as firm size, orientation and other internal factors play in deciding which markets to target.
- Issues around segmentation variable selection, such as underlying rationale for using specific variables (and ignoring others).
- Barriers to the use of more sophisticated segmentation methods.
- Drivers of segment formation.
- Factors that influence profiling, evaluation and selection of segments.
- The roles that different stakeholders play in the implementation of segmentation.
- How segmentation strategy success is measured.

Foedermayr and Diamantopoulos (2008b) not only discussed in detail the theories that were developed and tested by academic research, but also revealed important knowledge gaps.

Common threads in the research on market segmentation bases can be summarised as follows:

- Any one observable market segmentation base seldom provides enough information for marketers on the needs of the segment.
- Segmentation bases can be used as an initial way to indicate a segment that can be focused on. The homogeneity of the segment lies in the characteristics used for an initial market segmentation base.
- In the absence of proper insights into initial market segments, market potential and consequently important marketing opportunities may be overlooked.

3.4 Market segmentation criteria

An ideal market segment has members with similar needs, behaviours and socio-demographic profiles. They should further be easy to reach, fit in with the organisational strengths and not be targeted by competitors (Dolničar and Grün, 2008). Dolnicar, Grün and Leisch (2018) assert that there is no ideal way to approach market segmentation analysis and managers should consider aspects such as organisational constraints to guide their decisions. Tonks (2009) mentions that classification plays a central part in the reduction, generalisation and abstraction required when generating any knowledge from data. As market segmentation essentially classifies customers, and cost-bearing marketing strategy decisions are made based on this classification, it makes sense to verify the assumptions made to form market segments. Market segments will remain theoretical until it is deemed reasonable and practical to allocate resources to formulate competitive strategies to exploit segment potential (Tkaczynski, Rundle-Thiele and Prebensen, 2018). Pires *et al.* (2011) point out that it would not be possible for a management team to agree on any segmentation basis if they cannot agree on its measurement. They emphasise that the effectiveness of a market segmentation strategy would be undermined in the absence of agreed criteria.

Market segmentation criteria refer to the principles that are used to guide the effectiveness of market segmentation and their application to marketing strategy (Wedel and Kamakura, 2000). They are regarded as the critical success factors against which market segmentation decisions should be weighed and constitute guidelines for the attractiveness of different segments before a decision is made on which segments to target (Armstrong and Kotler, 2015). Dibb (1999) asserts that marketing practitioners need more structured guidelines on the implementation of market segmentation. Taking the three stages of market segmentation (segmentation- targeting-positioning) into consideration, there are multiple points in the process that can lead to failure. Figure 3.8 illustrates the use of segmentation criteria in the segmentation process.

Phases in market segmentation process		
Segment	**Target**	**Position**
Identification of segmentation bases	Qualification and attractiveness of segments	Establish a unique competitive position

Figure 3.8: Application of segmentation criteria in segmentation process

Source: Dibb (1999)

From Figure 3.8 the attractiveness criteria are used during the targeting phase of market segmentation. During segmentation itself, segment bases are deliberated. In the targeting phase, segment attractiveness is determined by using the proposed criteria.

Given the broad selection of market segment bases that can be used, it makes sense to offer some guidelines to judge the quality of market segmentation decisions; the selection of segmentation bases is subjective, which makes it difficult to unconditionally and purely scientifically confirm the best way of segmenting a market. (Dibb and Simkin, 2008). At best, Dibb (1999) cautions, the criteria constitute a broad guide to segment validity. As mentioned by Tonks (2009), market segmentation codifies complex markets to make it easier for management to understand what can be targeted and how to position a brand. While the four criteria suggested by Kotler in 1984 (in Dibb and Simkin, 2008) are widely accepted, it is generally agreed today that there are six criteria that are recommended to test the appeal of market segments (Foedermayr and Diamantopoulos, 2008b). The criteria are as follows:

- **Identifiability** alludes to the extent to which distinct groups can be identified using specific segmentation bases. Dibb (1999) contends that this is part of the design of a segment and should therefore be omitted as part of the validation of a segment.
- **Substantiability** refers to the size and expected growth of the market segment which will help management determine its economic viability. This is one of the four original criteria suggested by Kotler (Dibb, 1999; Foedermayr and Diamantopoulos, 2008b; Dibb and Simkin, 2010).
- **Accessibility** represents the ease of access to selected markets. Access refers to communication and distribution channels. This is another one of the four original criteria suggested by Kotler (Dibb, 1999; Foedermayr and Diamantopoulos, 2008b; Dibb and Simkin, 2010).
- **Responsiveness** indicates whether a target market will respond favourably to a marketing offer made to it. This is the third of the four original criteria suggested by Kotler (Dibb, 1999; Foedermayr and Diamantopoulos, 2008b; Dibb and Simkin, 2010).
- **Stability** refers to how stable a market will be over time regarding its composition and behaviour. Stability supports marketing programmes which then don’t need frequent adjustments. Sarabia (1996) mentions a risk analysis that provides clues to threats from the external environment, especially if segmentation is done for international markets.
- **Actionable** represents the guidance from target markets on the application of specific marketing instruments; it includes aspects such as resource availability and capacity. This is the last of the four original criteria suggested by Kotler (Dibb, 1999; Foedermayr and Diamantopoulos, 2008b; Dibb and Simkin, 2010).

According to Sarabia (1996), accurate market segment evaluation and selection demand criteria such as:

- Precision. Characteristics that are considered should be assessed accurately.
- Significance. All information must be relevant to the segmentation exercise.
- Validity and reliability of data.
- Logic between characteristics - what they measure and their application to segmentation.
- An equal level of precision, significance, quality and coherence. Indicators which are easier to obtain and measure should be selected to lower research costs.
- The best approximation to the reality or the phenomenon measured.

There are differences in opinion among authors about the correct criteria to apply. For instance, Tonks (2009) mentions that other researchers have added criteria such as propensity to spend money; uniqueness (enabling niche marketing); compatibility with organisational strengths (Foedermayr and Diamantopoulos, 2008b); the cost of segmentation; generalisability of products and services across segments; profitability; sales volume; competitive intensity; stability; segment elasticity; price sensitivity; uniqueness of customer service needs; stability of the industry; and predictability. Using criteria such as uniqueness, compatibility with organisational strengths and competitive intensity signals the link between marketing strategy and market segmentation (Pires, Stanton and Stanton, 2011). Although not contesting the usefulness of any classification scheme, Tonks (2009) supports the earlier opinion of Dibb (1999) that there should be a clear distinction between qualifying a segment and testing it for attractiveness. In this regard, Dibb and Simkin (2010) confirm research by Hlavacek and Reddy (in Dibb and Simkin, 2010) who distinguished between criteria for segment identification, segment qualification and determining segment attractiveness. To clarify, Table 3.4 represents Tonks's proposed evaluative criteria (2009).

Table 3.4: Evaluative criteria for market segments

Qualification criteria	Attractiveness criteria
• Measurable • Accessible • Substantial • Actionable • Stable • Parsimonious (Propensity to spend) • Relevant • Universal • Within segment homogeneity • Between segment heterogeneity • Profitable • Unique response elasticities • Familiar • Requirements of other management functions	• Compatibility with organisational objectives • Compatibility with organisational capabilities • Resource requirements • Potential sales volume • Segment growth • Relative market share • Competitive intensity • Entry and exit barriers • Degree of influence by macro-environmental factors

Source: Tonks (2009)

Tonks (2009) points out that there could be overlaps in meaning of these concepts. He mentions the subjective interpretation of concepts such as “substantial”, “profitable” and “sales volume” as examples. Dat *et al.* (2015) also caution that most selection criteria are influenced by human judgement and therefore subjective. Foedermayr and Diamantopoulos (2008b) agree with Dibb (1999) that the three most widely used criteria in practice are the size, growth and profitability of a segment. The size and purchasing power of an identified segment is the most common motivation for selecting a segment in, for instance, the tourism industry (Tkaczynski, Rundle-Thiele and Prebensen, 2018). Confirming the viability of the targeted segment will require supporting research regarding expenditure levels of segments. On the other hand, Weinstein (2014) found that marketers were looking for segments that would provide new opportunities; sustainable strategic advantage; profitability; where product differentiation was possible; and where they could provide the best customer satisfaction. Opportunities offered by the size of international markets made Pires *et al.* (2011) ask whether marketers still wanted to apply segmentation strategies in the face of mass production and marketing in a global marketing setting. They tried to understand what substantial means in a context of vast global opportunities providing access to numerous new marketing prospects. They confirm that substantiality is often regarded as segment size, potential and profitability, but add that there is not a well-founded and common interpretation of the term. Their research indicated that other characteristics about a potential market segment, such as the cohesion among members of an ethnic group, made the behaviour of such a segment highly predictable and therefore substantial (Pires, Stanton and Stanton, 2011).

Dibb (1999) indicates that it remains difficult to state conclusively which variables specifically are grounds for business success – which is also a broader marketing management predicament. Foedermayr and Diamantopoulos (2008b) insist that segmentation activities by themselves do not directly result in increased organisational performance, as many macro factors could also influence this. Based on research into marketing practitioners' underlying assumptions, values and norms that form part of market segmentation decision making, Kannisto (2016) cautions against getting stuck in a mind-set that favours predicting market segment behaviour to a point where marketers lose sight of their customer-centricity. Kannisto (2016) argues that the act of segmentation routinely creates an emphasis on the development of internal organisational capabilities - often to the extent that customer focus is lost. Internal capabilities refer to setting standards, developing performance indicators, maintaining quality standards and other internal management requirements. Some of the questions posed by Kannisto (2016) include:

- How does segmentation deal with the complexities of individuals' lives? For instance, tourism consumers may decide to participate in adventure, leisure or sex activities during one holiday trip. In this regard, the needs-based segmentation approach suggested by McDonald and Dunbar (2004) makes sense, but only if a tourist pursues one specific need for the entire holiday. If more than one need is satisfied, it creates the dilemma of estimating market potential for each need (and not for everyone).
- Does segmentation allow for prediction of behaviour? Since market segmentation is mostly based on historical data, it is not clear to what extent it can predict behaviour intentions.
- Are customers regarded as partners that co-create marketing propositions or as assets? The action of targeting may create the delusion that the organisation owns a target market – and management activities can reflect this in a way that dictates to the market how it should consume.
- Do the internal systems developed by organisations to provide customers with specific marketing propositions (including service distinctions) alienate or satisfy customers? Organisations may develop such complex systems to serve customers that employees may end up losing sight of their real job – to satisfy customer needs.

Kannisto (2016) concludes with a plea that marketing practitioners should always bear in mind the reason for selecting specific market segments. After segmentation, the hard work is to keep close track of needs and changes in needs (Markey, Ott and Du Toit, 2007).

Referring to Figure 3.8, it can be deduced that the evaluation criteria will be as good as the segmentation base criteria used to form segments. Opposing conventional thinking, McDonald and Dunbar (2004) argue that organisations need to focus their selection of segments on organisational strengths, such as capacity to provide a differentiated market offer; fit with business strategy; current support from customers; and ability to change organisational structure and decision-making systems to reflect selected segments. Without explaining how to verify each of the criteria, Filip (2012) confirms that whichever of the segmentation bases are applied, the segments targeted must be measurable, substantial, accessible and differentiable and offer an acceptable return on investment.

Assessing the validity of assumptions made to segment markets, Tonks (2009) points out that analysis can range from a simplistic scoring across the various criteria to more complex methods. How will two competitor organisations know which of their segmentation strategies were more successful if one segmented on an *a priori* basis and the other followed the more expensive route of data collection and cluster analysis? As far back as 1997, D'Souza and Weun (1997) researched the segmentation of markets based on buyer preferences; their findings addressed the use of conjoint analysis to validate market segments. They cautioned that their findings were based on historic brand experience and not necessarily future brand preferences (D'Souza and Weun, 1997). Foedermayr and Diamantopoulos (2008a) state that ordinary financial measurements fail to capture the effectiveness of segmentation in an international context. More sophisticated and complex analyses could include marginal analysis of cost and income calculations, elasticity of demand projections and probability of reactions of segments to different marketing stimuli. This is even more important for international markets, as organisations operating globally face more complexity and diversity than marketers operating in domestic markets only (Foedermayr and Diamantopoulos, 2008a). In a discussion about the application of the balanced scorecard, Wake (2015) mentions that despite problems with its use, it is a tool for management control. There may be a lesson to learn from the implementation of the balanced scorecard's three-layered mechanism – strategic planning, goal setting and measurement or control.

Foedermayr and Diamantopoulos's (2008a) views support those of Dibb (1999), who anticipated problems with the application of segmentation in different contexts. More recently Dat *et al.* (2015) argued that the final selection of segments would rely on aspects such as ease of access, competitive intensity and the ability to implement a segmentation strategy in the selected segment. They confirmed that the selection of target market segments would be based on more than one criterion and would likely be influenced by many decision makers in practice. This supports an earlier assertion by Sarabia (1996) that the task of segmentation should involve the entire organisation to accommodate decisions such as changes in brand image, product development and the required internal adjustments. Dat *et al.* (2015) developed a new segment criteria methodology, called a fuzzy quality function deployment (QFD). Fuzzy QFD applies to many decision settings, such as supplier selection, new product design and logistics management. Fuzzy refers to an artificial intelligence clustering technique (Casabayó, Agell and Sánchez-Hernández, 2015) that is used in conjunction with normal statistical cluster analysis. Fuzzy logic accepts that assessments made by respondents on the significance of criteria considered in buying decisions are subjective. With the use of a fuzzy model, subjective evaluations are condensed to a more precise value. This ensures more mathematically accurate evaluations that can be used for statistical analysis (Maričić and Đorđević, 2011). It allows patterns of segment features to be applied in a less rigid way to more than one segment, as individuals in a market segment often do not only fit into the behavioural category created by a strict segmentation definition. It allows marketing practitioners to apply ambiguous market data in their own realm (Casabayó, Agell and Sánchez-Hernández, 2015). More recent research by Tkaczynski, Rundle-Thiele and Prebensen (2018) focused on the managerial usefulness of segment selection in a tourism context. Using the original four criteria (measurability, accessibility, sustainability and actionability) suggested by Kotler in 1988, they concluded that the two tourist market segments that were identified in their research were not sufficiently different to warrant differential marketing strategies. While statistical analysis indicated clear segments with enough differences between segments, applying Kotler's (1988) four criteria to clarify the optimal selection between these segments indicated limited usefulness for spending resources to develop different marketing strategies for each segment. Their findings support the careful application of decision criteria and proper consideration from researchers and practitioners before acceptance and implementation of the segmentation criteria. A recommendation was to use a generic marketing communication message as a more economic option to attract the different market segments to this specific tourism region.

In the novel approach suggested by Dat *et al.* (2015) the relative importance of the ''What'' questions, the correlation between ''How'' and ''What'' and the subsequent weights of the ''How'' are assessed. Then the impact of each potential market segment is evaluated in verbal values. The normalised averaged ratings are calculated, and the fuzzy technique is applied to get the final ranking of alternatives. The steps in the proposed process are explained below:

- Step 1: Identify how a market segment will be assessed. Apart from the evaluative criteria mentioned by Tonks (2009), Dat *et al.* (2015) suggest factors such as segment growth rate, expected profitability, competitive intensity, capital and technology needs. This step takes care of the "What" that will be used for segment assessment.
- Step 2: Answer the "How" by determining the organisational strengths. Dat *et al.* (2015) recognise that there may be different aspects that could be considered. They suggest delivery capability, relative cost and technology advantages, and management strength. They are not clear on how to determine a value for a subjective criterion such as

management strength. This step offers an opportunity to test accessibility to the market. Market accessibility decisions indicate the ability of the organisation to reach the market through marketing communication and distribution (Foedermayr and Diamantopoulos, 2008b). The comment that market segmentation management does not provide answers to questions such as management strength (Greenley *et al.*, 2004), still seems to be valid.

- Step 3: Agree on the relative importance of the evaluation criteria that were decided on during step 1 using a fuzzy calculation, thus determining the relative importance of the "What". This supports an earlier comment by Sarabia (1996) that qualitative and quantitative criteria should be considered in the evaluation of segment value.
- Step 4: Analyse the match between importance of criteria and organisational strengths. This measure of segment compatibility is regarded by Dibb and Simkin (2010) as the most complex, partly because it relies on subjective judgements such as fit to organisational culture.
- Step 5: Aggregate the relative weights of organisational strengths (referring to decisions taken in step 2).
- Step 6: Match the impact of each potential market segment on organisational strengths to test the suitability of potential segments to the organisational ability. The decisions in this step correlate with determining market segment attractiveness in a similar way as prescribed by McDonald and Dunbar (2004) in Stage 4 (verify segment attractiveness) of their proposed market segmentation process.
- Using various calculations, consider the suitability of the segments in steps 7 to 10 by determining a best match between the relative importance of criteria proposed for segment assessment, correlate this with organisational strengths and select segments based on the impact of these strengths. Calculations are expressed as linguistic values that range from "very low" to "very high"; this sheds light on the calculated values' significance in selecting market segments.

Using no fewer than thirteen different calculations to give numerical relevance to the choices made about criteria validity, this proposed approach supports that of researchers such as Kim and Lee (2011), who stressed that statistical calculations reduced the subjectivity of management decisions about market segmentation. It further supports the findings of Dibb and Simkin (2010), who confirmed the increased value of segmentation decisions based on a combination of statistical and managerial judgement techniques and argued that a robust statistical test for multivariate outputs was essential. However, it does not provide a definitive answer to an earlier concern of Foedermayr and Diamantopoulos (2008a) about the barriers to the use of sophisticated segmentation techniques.

The question about how to apply the criteria in practice was partly answered by the case study by Dibb and Simkin (2010) on the segmentation practice of a mobile phone service provider from Eastern Europe that wanted to upgrade the elementary market segments for their Eurasian markets. Using a combination of qualitative and quantitative research that took approximately eighteen months to complete, the eventual segments' robustness was established through the following approach:

- Statistical analysis showed that the market segments were sufficiently heterogeneous. The statistical scrutiny also confirmed the robustness (can segments be replicated or do the data lack stability?) of segments and supplied an additional layer of evidence to motivate segment quality.
- A set of qualitative measures were applied to confirm the managerial logic of the segmentation solution. Qualitative criteria included coherence, vividness, differentiation and usefulness. An advantage of the quality checking process is that it confirms qualitative criteria with the statistical validation. Coherence was introduced to test if segments were plausible in relation to the base and descriptive variables used. Vividness provided a clear mental picture of the members of each segment. Differentiation pointed to the differences between segments, while the last criterion was for the usefulness of marketing programmes for the different target markets.
- Segment attractiveness was then determined through a host of attractiveness criteria, including disposable income, willingness to spend, interest in value added services, financial worth, current market share, level of loyalty, segment size, competitive intensity and potential growth.

It should be stressed that, in line with the earlier opinion of Foedermayr and Diamantopoulos (2008b), market segmentation criteria alone did not forecast the success of this exercise. The project consisted of five phases that included preparation (scoping the project, selecting project participants, and conducting exploratory qualitative research to use for the quantitative research questionnaire); doing the quantitative research; performing a segment analysis based on the collected data; reporting; and implementation. Regular project track meetings were held, while major review workshops were used to refine initial segments. After eighteen months, additional research verified the relevance and robustness of the market segments formed initially. An evaluation of the success of the segmentation exercise indicated an overall market share increase of 5%, while competitors were forced to target lower value segments (Dibb and Simkin, 2010). Research by Foedermayr and Diamantopoulos (2008a) revealed that export companies used market segmentation to achieve the following:

- Improve their targeting effort. This included developing better products and services, targeting the right customers and shaping marketing programmes. The outcome of this effort was higher customer retention.
- Improve positioning strategy. To achieve this, companies focused on creating brand awareness, supporting the global brand and enhancing brand-positioning efforts.
- Manage marketing cost through reduction of overall marketing programme expenses, get better economies of scale benefits from more productive income/cost ratios and use their resource advantage to the fullest potential.
- Improve their ability to adapt to changes in the different environments of export companies.

Market segmentation effectiveness is thus regarded as a function of targeting performance, positioning performance, cost reduction and adaptability. While acknowledging that it was not always possible, respondents attempted to develop measurements to reflect the achievements of their organisations regarding these objectives (Foedermayr and Diamantopoulos, 2008a). Measures included financial (e.g. sales) and non-financial (e.g. customer satisfaction) dimensions, an approach supported by authors such as Doole and Lowe (2012) and Armstrong and Kotler (2015).

3.5 Market segmentation techniques

Market segmentation techniques can generally be classified as either a priori or post hoc. With an a priori approach the number and type of segments are determined based on prior knowledge of the segment, such as demographic variables. Post hoc approaches use data analysis and manipulation to identify and confirm market segments (Liu *et al.*, 2019). In order to support the analysis required to discriminate between variables that are applied to form and confirm market segments, Liu, Kiang and Brusco (2012) suggested an array of methodologies that can be used by marketers. Hiziroglu (2013) created a schematic classification of segmentation techniques, which is shown in figure 3.9.

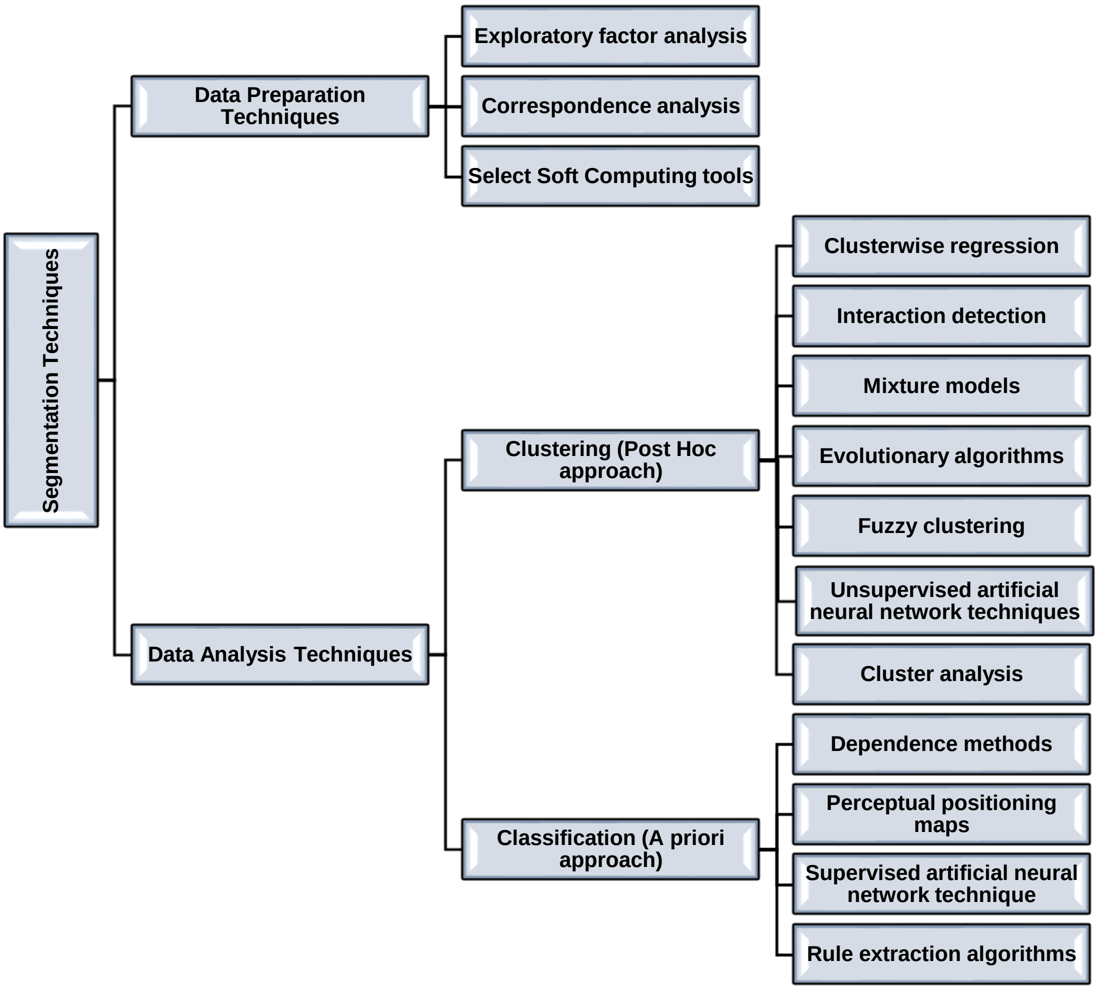

Figure 3.9: A classification of market segmentation techniques

Source: Adapted from Hiziroglu (2013)

Hiziroglu (2013) explains that there are researchers who do not favour any data preparation, as they are not convinced of meaningful differences in output with such normalisation. Wedel and Kamakura (2000) suggest that data preparation be applied to enable the reduction of multiple values to a smaller number of categories that contain similar values. As a practical example, the known variable “age” could be used as individual years, making the number of iterations used for classification larger, or it can reduce the number of classifications by grouping into age categories. Note the distinction between classification (a priori approach) when known variables such as demographics and usage frequency are used and clustering (post hoc approaches) when unobservable variables such as psychographics, preferences and intentions are used.

Referring to the market segmentation process discussion, these techniques are applied in the validation and verification of segments during the segmentation phase. Used for post hoc segmentation, where the definitions of segments are not known before the time (as in an a priori segmentation approach), clustering methods are applied to find patterns in the responses from survey or secondary data (Myers, 1996). For the remainder of the discussion, the words methods, methodologies and techniques will be used interchangeably; they refer to statistical and other analysis tools applied to scrutinise research data to generate and validate market segments. These techniques include *k*-means clustering, classification and regression trees, conjoint analysis and multi-objective evolutionary algorithm (Myers, 1996; Wedel and Kamakura, 2000; Hiziroglu, 2013). Statistical analysis provides solutions to the following important segmentation requirements:

- To support the homogeneity in composition of segments.
- To support differences between segments.
- To show how many variables have the power to distinguish between segments.
- To provide a base for segment reproduction in other markets.

As stated by Tonks (2009), formal market segmentation techniques are used to establish construct validity in three ways. In the first place, they identify the extent to which positive correlations exist between measurements of the same construct. Secondly, they confirm that there is no correlation with constructs that are theoretically unrelated. Lastly, they determine consistencies in different but associated constructs. Construct validity is established through assessment degrees of similarity and discrimination, using enough data. A necessary condition of such procedures is that they require abundant data and are complex to calculate correctly. In line with the views of other researchers (Wedel and Kamakura, 2000; Dibb and Simkin, 2008) at some stage some subjective managerial judgements have to be made concerning, for example, the choice of constructs for comparison which are judged to be similar, different or related.

As grouping the market into homogenous segments is a prominent feature of market segmentation, clustering analysis is a popular segmentation analysis technique. Cluster analysis refers to a technique used to categorise objects, individuals or other entities into groups that are homogenous along a range of observed characteristics as represented in data (Wedel and Kamakura, 2000). Figure 3.10 presents a classification of clustering methods.

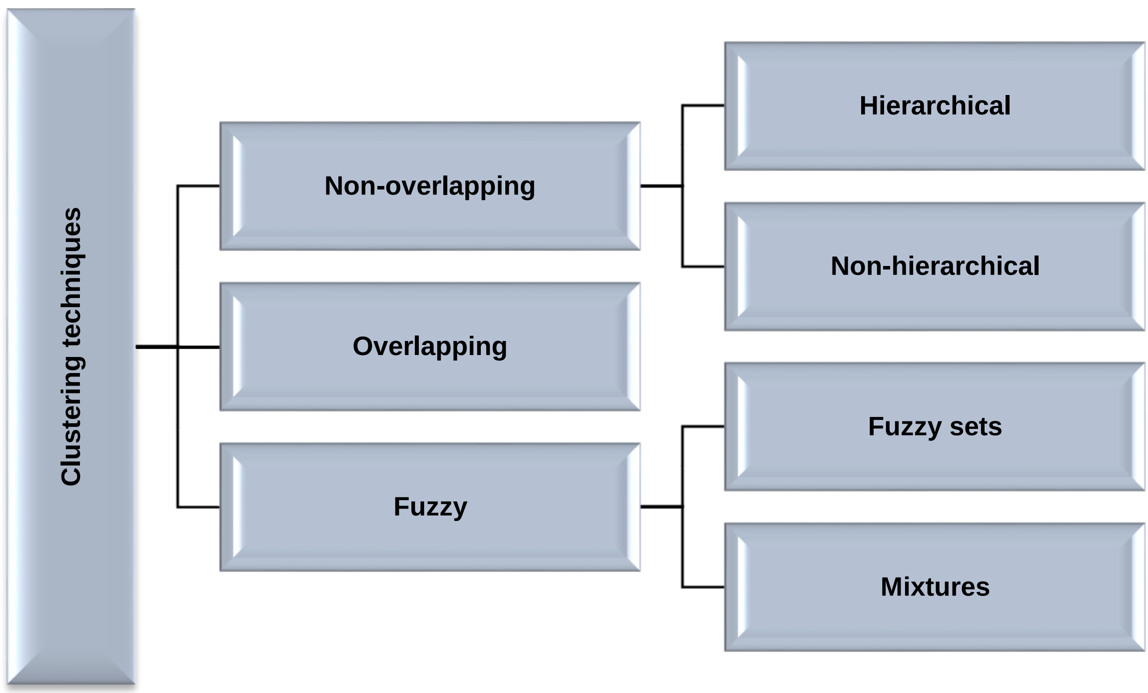

Figure 3.10: Classification of clustering techniques

Source: Wedel and Kamakura (2000)

Hiziroglu (2013) and Wedel and Kamakura (2000) have different ways of classifying clustering techniques. Non-overlapping clustering (Wedel and Kamakura, 2000) assumes similarity that excludes all other segments, thus no overlapping is possible. Overlapping and fuzzy clustering techniques allow for the prediction of more than one dependent variable from independent variables in regression analysis (DeSarbo, Oliver and Rangaswamy, 1989). Their two-way clusterwise bilinear model was created to do segmentation and positioning simultaneously. More recently, Liu *et al.* (2019) developed a multi criterion decision aiding approach to provide an additional solution to marketers who are confronted with consumers who may share preferences for similar products. Their research focused on developing a hierarchal clustering algorithm for consumers of economy class motor vehicles. The ability to detect differences in preferences would afford marketers certainty about committing resources to the development of marketing strategies for each identified segment. Applying a complicated array of algorithms, Liu *et al.* (2019) identified market segments based on the grouping of differences between prices, acceleration, maximum speed, fuel consumption, comfort and appearance.

While huge datasets, made possible by the electronic recording of individual transactions and responses, offer opportunities to use stored information for analysis, analysts should nevertheless be aware that problems with data quality can influence the forming of segments. Poor data will yield poor analysed results (Coussement, Van den Bossche and De Bock, 2014) and data quality problems cannot be resolved after the data have been collected (Dolnicar and Lazarevski, 2009b). Using the five consecutive steps for effective data analysis to guide their discussion, Coussement *et al.* (2014) discuss decisions taken in the data preparation step. Problems may arise from missing values, as well as inaccurate and outdated data. Coussement *et al.* (2014) found that the higher the number of inaccurate data values, the higher the chances of distorted analysis. Even if explained by an analyst; a relatively small incidence of inaccuracy does not affect analysis accuracy. Researchers are encouraged to implement an early warning system for high levels of data abnormalities, which is possible with contemporary data capturing technology. When suspecting data inaccuracies, marketers should alert their analysts to select the appropriate segmentation technique. The research by Coussement *et al.* (2014) specifically used the chi-square automatic interaction detection (CHAID) decision tree. A CHAID decision tree separates markets into subgroups based on the chi-square statistic, identifying which variable splits the data best and whether further splitting induces a statistically significant improvement. The discussion of their experiment signifies that market segmentation analysis decisions should be a dialogue between the marketing practitioner, data processor and technically competent data analyst (Coussement, Van Den Bossche and De Bock, 2014).

While validation of segments is considered an important part of the segmentation process to confirm segments and provide legitimacy to the process (Wedel and Kamakura, 2000), a discussion of segmentation techniques does not enjoy much prominence in marketing textbooks. For instance, Armstrong *et al.* (2017) explore segmentation variables and requirements for effective segmentation without any explanation of the methods that can be applied to validate assumptions on homogeneity. The same can be said for authors such as Schiffman and Wisenblit (2015); Cravens and Piercy (2013); Lamb *et al.* (2012); Hooley *et al.* (2012) and Dibb *et al.* (2012). In research that investigated the focus of market segmentation research, Foedermayr and Diamantopoulos (2008b) commented on the lack of empirical research on validity and reliability studies. This oversight could be fatal to marketers, as technical accuracy is required in all stages of market segmentation (Dibb *et al.* 2012; Hiziroglu, 2013). For instance, Myers (1996), Wedel and Kamakura (2000) and Dibb and Simkin (2008) explain that finding a starting point to anchor the analysis is a gamble. Myers (1996) suggests that analysts start by identifying a single case – but accept that it will be temporary as new clusters are formed and information starts to describe the first and subsequent clusters. Wedel and Kamakura (2000) point out that the true number of segments is not known when clustering begins, and that the thinking process to determine the final number of segments is subjective. Moreover, as argued by researchers such as Muthen (1989), real world applications to classify individuals require much more elaborate analysis and models. Data analysts should know what segmentation bases resemble features in the market itself that marketers would like to use for segmentation. For instance, Bock and Uncles (2002) propose a classification of differences between consumers in different industries. They propose that there are five generic differences and marketers in each industry should take note of the specific features applicable to their industries – which may provide clues to the starting point in the data that will be analysed. A practical example is a generic attribute termed “Preference for product benefits”. For toothpaste, specific features could be flavour, tooth-whitening capability, flavour and price. For coffee, it may be strength, caffeine level and packaging size. Analysis of data should start with any one of these specific features that is relevant to the marketer and has the capacity to form a market segment and then expand to represent the logic for the industry and for the management team of a specific organisation. As Hong (2012) suggests, a major drawback of clustering methods is that results are often skewed by the location of the initial starting point in the data used for analysis. Tsai and Chiu (2004) also refer to this dilemma when they point out that random selection of initial cluster starting points could cause the quality of clustering to deteriorate due to local optimisation. Researchers such as Bradley and Fayyad (1998) and Meila and Heckerman (1998) have proposed that a large amount of analysis should be done using randomly selected initial cluster centres. They all suggest that the best clustering result should then be selected, without providing a guideline on what they mean by the term “best”. Dimitriadou *et al.* (1999) recommend using a voting approach for each analysis that is run to combine clustering results for a better outcome. Tsai and Chiu (2004) emphasise that it is time consuming and costly to repeat several clustering runs on a large set of data.

Ernst and Dolnicar (2017) confirm this, pointing out that the first step in applying *k*-means clustering (a popular algorithm used in segmentation) is the random selection of several data points which serve as starting points for calculations. If the data set used is poorly structured, an analysis may yield entirely random segments. With such data, each repeated calculation with different starting points will generate a different result. This is referred to as algorithm randomness. Matters are complicated when the sample of respondents in the data set is not representative of a research population (Foedermayr and Diamantopoulos, 2008b). A second source of randomness may occur with slight variations in the sample. This refers to sample randomness. As if taking care of data manipulation dilemmas is not enough, Grün and Dolnicar (2016) point out that respondents react in peculiar ways when completing questionnaires. Response style can often affect survey data, which likely is ordinal in nature and therefore open to respondents’ interpretation of the meaning of values expressed as words, such as “poor” and “excellent”. Researchers, marketers and analysts should be aware that market segments might represent the response style rather than beliefs of respondents, because algorithms based on distance measures used for classification detect response styles. They recommend a finite mixture model that accounts for response style and belief in segment calculations (Grün and Dolnicar, 2016).

In an effort to overcome these possible negative impacts, Casabayó *et al.* (2015) made an attempt to merge statistical techniques with interpretative logic to promote better decision making which is based on interpretive logic applied after initial statistical analysis. Using cluster analysis (an accepted statistical method used to generate discrimination between market segments) and adding artificial intelligence (AI) to assist in the interpretation of indefinite market information provided by cluster analysis only, their research attempted to provide a more reliable and realistic interpretation of research results to marketing practitioners. Their study was in response to that of Hiziroglu (2013), whose research was born from the opinion that traditional statistical analysis techniques to uncover market segments were no longer efficient in light of the vast volumes of data available for market segmentation. Such large databases necessitate the use of, inter alia, data mining techniques to facilitate decision making in market segmentation. Soft computing, Hiziroglu (2013) asserts, makes segmentation challenges for marketing practitioners more attractive, as the techniques render segmentation more effective and applicable. Soft computing broadly refers to a consortium of methodologies that work synergistically. It is mainly used to enhance the performance of traditional systems (referred to as hard computing). Hiziroglu (2013) concludes that data mining techniques are still in their infancy and more research will be required to confirm their applicability in a real-world business context. This is in alignment with the opinions of researchers such as Dibb and Simkin (2009), Tonks (2009) and Shaw (2011) about the practical application of market segmentation.

Researchers caution against accepting the market segmentation results provided through data analysis as conclusive. As Ernst and Dolnicar (2017) point out, algorithms used to gain market segment insight are exploratory and seldom provide a single stable result. Their research focused on the use of empirical data, most often from surveys, to extract market segmentation information. Problems with the reliability of market segmentation insights derived through data-driven market segmentation originate from diverse causes, including low quality data, a sample size that is too small (Dolnicar, 2003) to be representative and too many variables used for analysis (Dolnicar, Grün and Leisch, 2016). Earlier, Dolnicar *et al.* (2012) posited that a typical methodological challenge faced by users of data for segmentation in the tourism industry is that although there are many respondents to many surveys, sample sizes tend to be unreliably small. Clustering will always yield some results, but the challenge remains to validate the segments. Given that data clustering should group homogenous customers' segments together, it seems logical that sample sizes should be large enough to facilitate this requirement. Dolnicar *et al.* (2012) illustrate this with the example of using data from a 30-

question survey with only 400 respondents. This results in a situation where *"there is simply not enough data to find a pattern reliably, resulting in a random splitting of respondents rather than the construction of managerially useful segments that can be reproduced and therefore used as a firm basis of strategy development"* (Dolnicar *et al.*, 2012:21). They relied on the knowledge of Formann (in Dolnicar *et al.,* 2012) who proclaimed that a sample size of 461 respondents only permits the use of eight variables (or survey questions) to be statistically appropriate. One solution is to increase the sample size to the point where meaningful segmentation with many variables is possible. The solution comes with obvious cost implications. The other is to include only managerially relevant and non-redundant questions (variables) in a questionnaire. As this may not always be possible (who decides on which questions/variables are relevant and required?), a factor cluster analysis was traditionally done to group sets of results together to reduce the initial large number of variables before computing the segmentation solution. As Dolnicar *et al.* (2012) point out, this tradition has major negative consequences, such as:

- Segmentation results are no longer based on original variables but on the clusters. Interpretation can thus only be done at an abstracted cluster level.
- Almost half of the information that has been collected from respondents is rejected before starting with the segmentation task.
- Factor-cluster analysis is known to perform poorly in all data analysis situations, except where the data follow exactly the factor model used to reveal the correct segment membership of cases (Dolničar and Grün, 2008).
- It erroneously assumes that the factor model applied is the same for all segments.

To overcome the uncertainty introduced by factor cluster analysis, Dolnicar *et al.* (2012) propose a solution called biclustering. The objective of biclustering is to organise segments through grouping similar responses together while simultaneously finding heterogeneity between responses. Their research used biclustering algorithms suggested by previous researchers such as Madeira and Oliveira (mentioned in Dolnicar *et al.,* 2012). They found that biclustering provided significantly improved segmentation results for data from samples which had a relatively small number of respondents and where the number of variables (in their research the different activities that tourists could participate in when on holiday) could not be reduced. In an effort to diminish the problems associated with cluster analysis mentioned by Dolnicar, researchers Kimiagari, Keivanpour and Haverila (2019) introduced a high-performance clustering approach to deliver reliable results for market segmentation. Combining a number of clustering methods (organised in modules), they indicated the use of clustering to provide statistically valid practical and operational market segmentation results that could be applied in an international marketing context.

Ernst and Dolnicar (2017) warn against unintentionally depending on unstable data and point out that any data analysis should pass the scrutiny of reliability through testing and re-testing before the results are accepted as trustworthy. The idea is to repeat segmentation analysis for each number of clusters, each time using randomly selected sub-samples (they refer to bootstrap samples) from a database. Stability across repetitions is calculated. More stable solutions give the users of the segmentation solutions confidence that their marketing mix will not be based on random results (Dolnicar and Leisch, 2010). They warn that, although statistically sound, market segments that were formed from analysis of a database in which market segments are not at first apparent may represent one of many equally valid artificially constructed solutions. A data analyst may be faced with a situation where several possible segmentation solutions are developed, and the user of the data must decide which solution is the most practical to apply.

Ernst and Dolnicar's (2017) research concluded that since naturally occurring market segments rarely exist, it puts most data-driven market segmentation solutions at risk of generating random market segment solutions, which poses a huge financial and reputational risk for marketing practitioners – the users of data-driven market segmentation solutions. Although they suggest a solution to eliminate the problems associated with the uncertainty of managing marketing mix solutions for randomly identified market segments, they conclude that the lack of naturally occurring market segments increases the risk of developing marketing strategies that are based on an approach that provides seemingly random segmentation alternatives. Marketing practitioners should be aware that market segments don't come neatly grouped as data analysis would like to suggest. Data analysts should safeguard data stability analysis through randomly selected sub-samples, repeated calculations using different starting points and repeated calculations with different numbers of clusters. For marketing practitioners and users of data-driven market segmentation techniques, the most important point to remember is that it is too risky to accept market segmentation solutions derived from a single calculation (Ernst and Dolnicar, 2017).

Apart from quantitative data analysis, Dibb and Simkin (2008) suggest that qualitative criteria be applied to confirm the strategic strength of segments. These criteria (non-statistical) include whether segments identified through statistical analysis apply to selected marketing strategies. Millier (2000), for instance, proposes that managers use intuition to assist in confirming market segments – especially in instances where data are insufficient or where markets are concentrated, such as business-to-business marketing contexts. This is especially valid for markets that do not exist yet. Yankelovich and Meer (2006) add that marketers sometimes must address deep-rooted strategic decisions, such as modifications to a current business model to address changes in market forces – while little descriptive data is available for market segmentation analysis. Millier (2000) suggests that the application of management intuition should be a planned process, including rationalisation to test it. Importantly, the intuition is validated in the market on a continuous basis, making market segmentation a practical reality (Millier, 2000). Dibb and Simkin (2008) point out that marketers do not always have a blank page to work from, as implied by many textbooks that explain the market segmentation process. As such, resources like time and funds may not always be available to execute the ideal segmentation process.

Managing some of the dilemmas faced by marketers is addressed by Myers (1996) in his description of the uses of clustering methods for segment formation. Applying hierarchical clustering (used to calculate similarity measures between a single respondent and all others) requires the calculation of 500 000 controls with data from 1 000 respondents, which is regarded as a minimum number of responses for any respectable segmentation study. With the same number of respondents, between 2 000 and 8 000 calculations are required to validate partitioning clustering, which is used to group attitude, psychographic, values and other segmentation statements. Myers (1996) quotes William D. Neal who compared the usefulness of clustering algorithms used by marketing researchers. Respected as a researcher with expert knowledge on the topic, he opined that in effect cluster analysis does not have a universally accepted philosophical definition or generally accepted statistical definition for the process. Variations in levels of measurement, data scales and the algorithmic approach often provide different results. While cluster analysis is regarded as what Neal (in Myers, 1996) termed a "black art" by statisticians and marketers alike, it is considered useful and necessary for data analysis in market research. Wedel and Kamakura (2000) describe the use of factor analysis as part of the clustering process, but Dolnicar and Grün (2008) challenge the use of factor analysis as suggested by many researchers. Factor analysis is widely used as a way to pre-process the original data from respondents before clustering, especially when behavioural and psychographic segmentation which is based on a large number of respondent statements is reduced to statistically meaningful groupings. Tuma *et al.* (2011) state that some researchers avoid this practice, as they believe that this may hide unique and important differences and similarities that constitute the essence of market segmentation theory. Dolnicar and Lazarevski (2009) assert that the pre-processing of data causes division between marketing practitioners and researchers. Flaws in methodology applications could lead to marketing investments based on sub-optimal market segmentation solutions. Their argument rests on assumptions by earlier researchers about the application of factor analysis in other scientific fields (general social sciences) and misinterpretation of its use as part of a standard research approach in market segmentation analysis. They conclude that the factor-cluster segmentation method may therefore not be the most desirable and suggest that clustering raw data without any pre-processing is superior to identify true heterogeneity in data. Their research indicated that there was little difference between segmentation results from clustered versus raw data (Dolničar and Grün, 2008). Tuma *et al.* (2011) warn that the incorrect application of cluster analysis could lead to flawed decisions on marketing strategy based on defects that emanate from mistakes made in the method. They provide guidelines to avoid typical mistakes that analysts could make along the cluster analysis process, shown in Table 3.5.

Table 3.5: Stages in the clustering process and guidelines to avoid pitfalls

Stage in clustering process	**Guidelines to avoid pitfalls**
1. Variable selection, number of variables and sample size.	• Selection of correct variables critical. • Should be based on marketers/ researchers' judgement of relevance to types of segments sought. • Sample size must be large enough to support concentration of characteristics in the number of variables used per segment.
2. Data pre-processing.	• Decide whether data should be pre-processed. Pre-processing of data may transform original data and should be kept in mind with interpretation of segments. • Understand motivation for decision if data are pre-processed.
3. Selecting appropriate clustering algorithm.	• Decide between non-overlapping, overlapping and fuzzy clustering method. • Justify the choice on which method is the most appropriate. Generally, justification takes place when analysis confirms clusters that were intuitively predicted. Analysis should suitable for the data used.

	• Investigate the use of artificial neural networks to segment markets, especially with more sophisticated technology available for analysis of complex data sets.
4. Determining the number of clusters.	• Apply the best procedure. (Vagueness exists regarding the best procedure.) – Dependent or independent processes. – E.g. rescaled clustering distance (the most commonly used methodology to determine a valid number of segments). • Test the number of clusters against management's intuition.
5. Testing for validity and stability.	• Test whether clusters are real - not forced through data analysis. • Run several clustering repetitions on the same dataset or one clustering iteration on different datasets and test for stability. • Ensure that segment solution represents the population. • Statistically assess the goodness-to-fit segment solution by comparing the variation explained by a cluster solution relative to the total variation in the un-partitioned data set.
6. Interpreting and describing clusters.	• Examine clusters and assign descriptive names to each.

Source: Summarised from Tuma et al. (2011)

Effective selection of the market segment bases (that will be used to formulate clusters) is therefore essential to avoid a situation where everything known about the customers in the data is used for a probable segment cluster (Wedel and Kamakura, 2000; Dolničar and Grün, 2008).

These techniques require an advanced ability in the statistical manipulation of data, which may be beyond the reach of some marketing practitioners. It is suggested that new technologies make analysis of big data possible (Frösen *et al.*, 2016; Vargo and Lusch, 2017). Big data refer to large sets of data that are often difficult to analyse (Vargo and Lusch, 2017). Brown and Sikes (2012) disclose that most company executives in the USA believe that the advantages of digital business are not a reality yet. This is despite expectations that the key trends in the digital revolution, namely analysis of large amounts of data; benefitting from social media platforms; and mobility through cloud computing will become commonplace. While most respondents in this 1 469 group of CEOs confirmed that the focus of the benefit of the technology should be on gaining customer insights, a lack of investment and information technology (IT) ability hampered their expectations (Brown and Sikes, 2012).

3.6 Academic review: formulation of research question

Market segmentation started out as part of economic thinking about matching the capacity of organisations to portions of the market. No one organisation can claim that it can provide products and services that will suit all tastes. From an economic viewpoint, it makes sense to demarcate the market and focus on parts of the market that align with organisational strengths (McGuigan, Moyer and Harris, 2017). This view is supported by well-known researchers such as Hunt (2012) on the basis of the application of resource-advantage theory in achieving productivity. Market segmentation thinking in a marketing context was stimulated by researchers like Smith (1956), who suggested that market segmentation and product differentiation should be considered as alternative marketing strategies when it was apparent that organisations could benefit from tapping into naturally occurring differences in market needs that could be matched with organisational strengths.

Since then, market segmentation research has enjoyed the attention of marketing, economics and statistical researchers and analysts to provide researched solutions to the application of market segmentation. In many ways research has failed to provide definitive answers to questions from marketing practitioners. For instance:

- Tuma and Decker (2013) indicated that the application of market segmentation does not reflect the use of theory.
- Cleveland *et al.* (2011) acknowledged that market segmentation theory might not apply to all economic and social contexts.

- Shaw (2011) commented on the realities faced by practitioners in incorporating academic thinking into marketing practice.
- Jansen van Rensburg *et al.* (2012) reported on research that found that marketing's role was absorbed by other departments in organisations.
- Venter *et al.* (2014) provided examples of researchers that indicated that research describing and categorising marketing management practice had lagged behind.
- Dibb *et al.* (2014) highlighted a paucity of research on micro-level marketing practices, such as how practitioners should apply market segmentation strategy.

Many researchers offer broad guidelines on possible areas of research. Dibb *et al.* (2014) responded to a call from earlier researchers to deepen insight into marketing practices from a bottom-up marketing practitioners' perspective. Research should provide detail on how practitioners undertake marketing activities. In this regard, Foedermayr and Diamantopoulos (2008b) indicate that marketing academics' and marketing practitioners' focus regarding segmentation application is out of sync. Practitioners want to know how to segment and target markets to develop marketing programmes that will result in higher efficiencies. It may be time to augment current market segmentation theory with insights on how marketers apply segmentation in a way that makes sense to them. There is insufficient research on marketing practitioners' interpretation of the application of market segmentation theory. Providing insights from a marketing practitioners' perspective will support one of the focus areas for further market segmentation research highlighted by Wedel and Kamakura (2000), namely to validate the effeciveness of market segmentation strategies and methods. Since market segmentation is regarded as part of overall marketing strategy, insights into market strategy making will address McDonald's (2009) plea for more professionalism in marketing through contributing to strategic thinking that guides the future of organisations. According to McDonald (2009), marketing practitioners should help reduce organisational risk through, inter alia, ensuring salient market segment choices. Dibb *et al.* (2014) point out that research often frames the issues surrounding marketing practice, but lacks examination of specific actions that comprise marketing practice. Skålén and Hackley (2011) suggest that there is a need to focus on marketing practice to provide much needed critical perspectives on marketing. They highlight the need for bottom-up research into how marketing is actually done in a quest to determine what marketing really means to executives. Answering the research questions formulated below will also assist to provide clues to the dilemma described by Smith *et al.* (2015): that practitioners rely on their experience, while academics could gain much from learning from the logic based on marketing practice. The research problem was stated as follows:

“While marketing theory suggests that market segmentation is a determinant of marketing success, it is not clear to what extent marketing practitioners and decision makers share this sentiment.”

This phenomenon applies to both business-to-consumer and business-to-business marketing, but several authors emphasised the need to explore the application in the business-to-business marketing context.

The research questions were thus stated as follows:

- How do marketing practitioners execute market segmentation in practice?
- To what extent do they use current market segmentation theory to guide their market segmentation decisions?
- Who influences market segmentation decision making? Marketing decision makers include marketing managers but could also include other managers of the same organisation, consultants and service suppliers such as advertising agencies.
- What are the perceived benefits that marketers get when they segment markets?
- What are the barriers that marketing practitioners must overcome to be able to use market segmentation theoretical frameworks?
- How are market segmentation outcomes used? In this regard, the allocation of resources, improvement of customer relationships and market growth and expansion come to mind.

The literature review revealed that many researchers have commented on the lack of market segmentation research (and therefore guidance) in a business-to-business context. Early on Shapiro and Bonoma (1984) concluded that segmentation theory was more aimed at B2C marketers than B2B marketers. Business-to-business marketers therefore find it more difficult to apply segmentation theory. Millier (2000) proposed a segmentation model based on intuition and rationalisation after his literature review had revealed a huge gap between literature and practice when it came to market segmentation in the B2B marketing environment. Foedermayr and Diamantopoulos's (2008b) extensive literature review of 19 empirical studies that were based on actual segmentation practices of firms indicated that less research was available from a B2B perspective. Only eight of the nineteen articles focused on B2B market segmentation issues that applied to B2B specifically. In an article that reflects on cooperation between academics and marketers, Hutt and Walker (2015) remind readers that business-to-business marketing managers are generally more open to discuss a research agenda with marketing academics than expected. As such, this research will focus on the business-to-business marketing context.

3.7 Conclusion

From the discussions based on various literature sources, it is concluded that market segmentation originates from economic theory. The need for companies to stay viable required management teams to take decisions on the market segments that they should focus on, given their organisational strengths. Market segmentation established itself as a strategic business decision, as it aligns closely with broad business strategies of market choices and ways to establish enterprises and grow financially in selected markets.

Market segmentation theory evolved from the economic principle to include aspects of choice. Which market segmentation bases to use? How to verify if a market segment is worth pursuing? Which statistical methods to use to test for reliability of segment choices? Finding answers to all these questions prompted research from academia to provide guidelines, models and other resources to aid marketers to take decisions about market segments. The research was scrutinised by other researchers and, most importantly, by the users of the research outputs. It became apparent that there were many opinions regarding the application of research results in a practical setting. The formulation of the research question stems from the uncertainty about what exactly marketing practitioners do to guide their decisions regarding the demarcation of the market, selecting specific segments and doing profitable business in the selected segments. How much of what marketing practitioners are doing is based on pure intuition and how much is applied from published research?

Chapter 4: Research design

4.1 Introduction

The aim of this chapter is to set out how the research questions were addressed by explaining the research process that was followed. It presents the chosen research design, the research philosophy and the resulting research approach of the researcher. While the previous two chapters reviewed literature regarding market segmentation approaches, perspectives and the central role that market segmentation plays in devising marketing strategy, this chapter provides information on the framework that guides the empirical inquiry in the study. The framework proposed by Saunders *et al.* (2009) will be used to guide the discussion of the research design. The framework is also referred to as the research onion. Figure 4.1 depicts the framework.

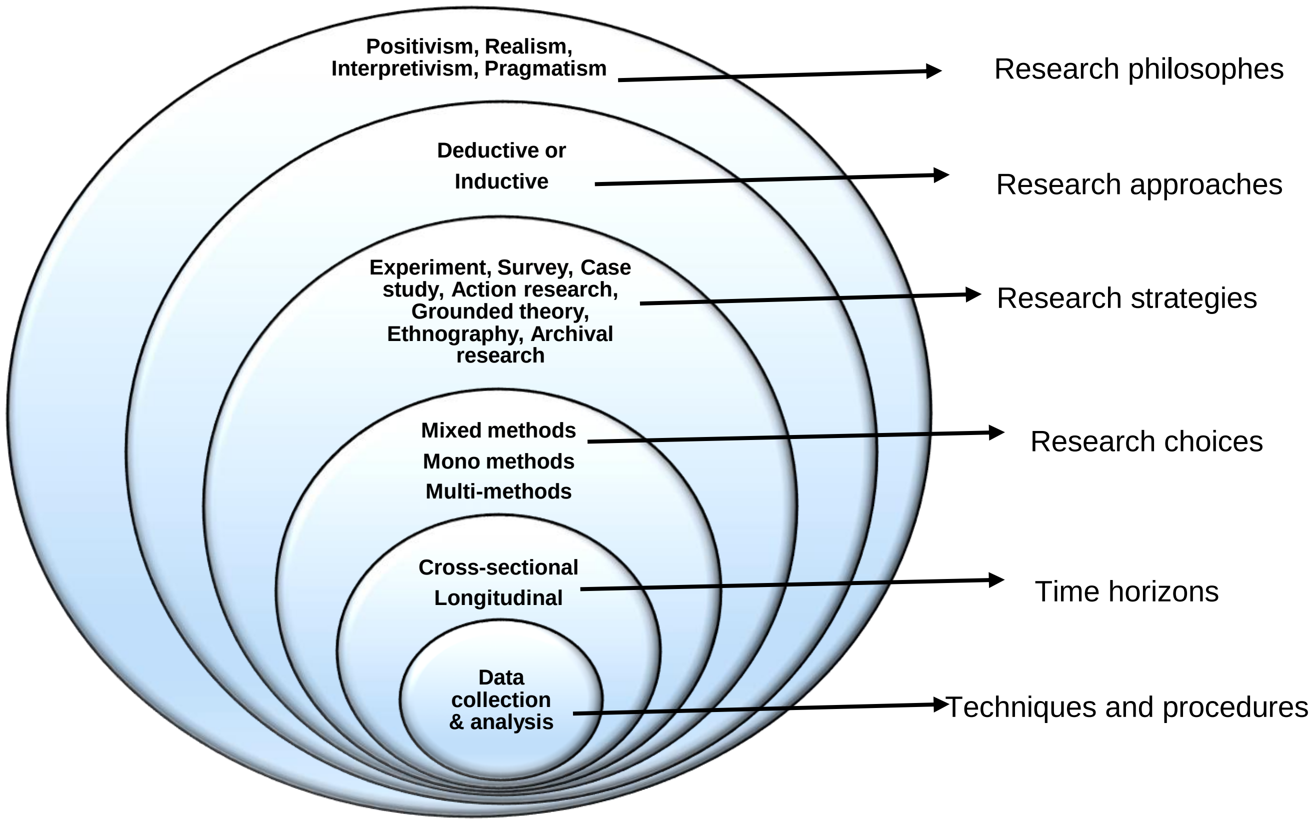

Figure 4.1: A research framework

Source: Adapted from Saunders et al. (2009)

The main purpose of this research is to gain insight into the approaches used by marketing practitioners when they implement market segmentation as part of marketing strategy. To broaden understanding of the approaches used, it was deemed relevant to obtain information about the thinking process that marketing practitioners apply when deciding on market segments. Consulting marketing practitioners themselves is expected to supplement current market segmentation theory through a deeper understanding of market segmentation practice. Many authors, for example Armstrong, Kotler and Opresnik (2017) and Venter and Jansen van Rensburg (2014) have posited that market segmentation, if done correctly, will lead to better organisational performance. More marketing textbook authors (Hooley, Piercy and Nicoulaud, 2012; Lamb, Hair, Joseph and McDaniel, 2012; Dibb *et al.*, 2012) propose market segmentation approaches, suggesting that the successful implementation of an approach will result in marketing strategy that ensures better organisational performance. Following the argument of Siggelkow (2007), market segmentation could be likened to a construct (A) that leads to improved organisational performance. This research intends to shed more light on what construct A is in real life.

This chapter discusses and explains the plan devised to find answers to the conceptual research problem. While research methodology speaks to the theory of how research should be framed, research methods refer to techniques and procedures to obtain and analyse data (Saunders, Lewis and Thornhill, 2009). This chapter stipulates the details for collecting and analysing the data required to answer the research question (Venter and Van Zyl, 2017). It includes the approach and methods that were followed to do research, the data collected and how the data were analysed. The discussion highlights research limitations and how they were addressed. It finally explains the ethical considerations and how they were handled.

4.2 Research strategy

The research problem was formulated to gain more insight into some aspects mentioned by researchers covered in the literature review. The aspects can be summarised as follows:

- Researchers (Dibb and Simkin, 2009; Dolnicar and Lazarevski, 2009b; Dibb, Simões and Wensley, 2014; Hutt and Walker, 2015; Thomas, 2016) deplore the division between academic research on market segmentation theory and how marketing practitioners implement the findings.
- Boejgaard and Ellegaard (2010) plead for more insight into the way in which marketing decision makers execute market segmentation.
- Day (2011) found that organisations did not use contemporary market segmentation theory to take market segmentation decisions. Facing a rapid increase in market complexity,

marketing practitioners struggle to comprehend and cope with challenges that are not adequately addressed through research.

- Weinstein (2014) asserts that while market segmentation evolved from an academic concept into a key marketing planning tool, in practice few organisations use this strategic planning tool to their advantage.
- Researchers advocate more market segmentation research that can be applied to marketers in the business-to-business context (Bailey *et al.*, 2009; Weinstein, 2014b). Business-to-business marketers are faced with a more complex sales situation regarding the timeframe, technical complexity and number of participants in the buying decision process.

The research problem is stated as follows:

"While marketing theory suggests that market segmentation is a determinant of marketing success, it is not clear to what extent marketing decision makers share this sentiment, particularly in a business-to-business marketing context."

The main research questions and objectives are summarised in Table 4.1.

Table 4.1: Summary of research questions and research objectives

Research question	Research objective
Primary research question 1. How do marketing practitioners execute market segmentation in practice?	• To understand the process that marketing practitioners apply when executing market segmentation in practice.
Secondary research questions 2. To what extent do marketing practitioners use current market segmentation theory to guide their market segmentation decisions?	• To establish the value that market segmentation <u>theories</u> provide for marketing practitioners when they execute market segmentation in practice. • To establish what marketing practitioners would like to get from market segmentation theory that will make practical sense from an implementation perspective.
3. Who influences market segmentation decision making? Marketing decision makers include marketing managers but could also include other managers of the same organisation, consultants and service suppliers such as advertising agencies.	• To establish the roles that influencers play in deciding on a suitable market segmentation strategy. • To establish the network that marketing practitioners must manage/influence to implement market segmentation.
4. What are the perceived benefits that marketers get when they segment markets?	• To establish the perceived benefits that marketers gain from market segmentation, such as deeper customer insights that pave the way for market segment domination, unique customer relationships, etc.
5. What are the barriers that marketing practitioners must overcome to be able to use market segmentation theoretical frameworks?	• To establish the adjustments that marketing practitioners must make to overcome implementation barriers suggested from theoretical frameworks.
6. How are market segmentation outcomes used? In this regard, the allocation of resources and market growth and expansion come to mind.	• Establish the most important reasons why marketers use market segmentation as part of their marketing strategy.

The primary research question to answer is: “How do marketing practitioners execute market segmentation in practice?” Only marketing practitioners themselves can respond to this question. Gaining detailed insights from a sample of marketing practitioners through in-depth interviews assisted in establishing a market segmentation approach from a purely practice and implementation perspective (Saunders, Lewis and Thornhill, 2019). These insights offered the opportunity to enhance current theory about market segmentation based on marketing decision makers’ practice. The most important cues to decisions that shape market segments lie in the way marketing practitioners themselves approach market segmentation. Answering the research questions required a deep understanding of market segmentation practice by marketing practitioners - a precursor for qualitative research (Creswell, 2015). Insights were gathered through in-depth discussions with marketing practitioners about their approach to market segmentation planning and implementation. Johnson *et al.* (2003) argue that deep-rooted knowledge from qualitative data is essential for developing a strategy as practice perspective. They motivate this by adding that qualitative research approaches are often used when relatively little is known about an area of study or when fresh perspectives are needed, as in the case of market segmentation practice. Further to this, the very nature of strategy as practice as a phenomenon (dynamic, complex and involving intense human interaction) calls for an approach that can capture these features empirically (Orlikowski, 2010).

In-depth interviews as a data collection method are synonymous with case study research (Ghauri and Gronhaug, 2002). They promote deep understanding and opening up new dimensions and insights (Easterby-Smith *et al.*, 2018). The purpose of an in-depth interview is to gain understanding from the perspective of participants, not only on their viewpoints are but also on why they have a particular viewpoint. According to Hussey and Hussey (1997), interviews are associated with phenomenological studies. Using in-depth interviews to gather data allows for semi-structured discussions where opinions from respondents could be explored as they come up. Semi-structured interviews constitute a compromise between completely structured and completely unstructured interviews (Lee, 1999). The difficulty with completely unstructured interviews is that the researcher typically works with a broad overarching topic, which this research was not. Easterby-Smith *et al.* (2018) refer to completely unstructured interviews as non-directive discussions. Selecting a semi-structured interview means that the researcher could adapt the script of the discussion guideline during interviews and pursue matters as circumstances required (Lee, 1999). When seeking detailed information about marketing practitioners’ practice, selecting suitable case studies makes sense. A case study is a study of one example of a particular type of respondent (Biggam, 2010). It allows for observations from selected cases, in this case companies that use market segmentation as part of their marketing strategy.

4.2.1 Research philosophy and approach

Equally important to a research method is to explain the researcher's philosophy and approach to research. In this regard the so-called research onion from Saunders, Lewis and Thornhill (2009) will be used as a broad guideline.

The research problem statement addresses the need for an in-depth understanding of the segmentation inquiries that emerged over years from several researchers. The word "understand" implies the collection of information from respondents and developing theory or adding to theory by using the results from the data collected. Getting insights from multiple realities (participants in the research) by focusing on their interpretations is regarded as an inductive research approach (Saunders, Lewis and Thornhill, 2019). This approach is adopted in research situations where a problem has to be better understood and when interview data are collected and analysed to gain insight into a situation that will allow the formulation of new theory. Poortman and Schildkamp (2012) suggest using the approach to gain insights about a phenomenon in its unique context, when the focus of the research is on a specific process and the objective of the research is to provide a description of the phenomenon based on its current and real context. Inductive research develops answers to research questions (not hypotheses) based on analysis of explorative research information (Panke, 2018). The researcher's belief about the nature of reality (ontology) is that in the context of strategy making it is created by people out of necessity. The laws of strategy making are relative to the individuals who must create strategy in their specific contexts. Marketing practitioners develop strategies to adapt to changes in their real-world environments that will (in their opinion) best outmanoeuvre opposition and create an environment for organisational success. According to Easterby-Smith *et al.* (2018), this is relativist ontology - the research deals with the social science where the behaviour of people is considered, rather than inanimate objects.

In an inductive research approach, general conclusions are drawn from empirical observations (Ghauri and Gronhaug, 2002). This differs from a deductive research approach, where development of theory is subjected to rigorous testing. Deductive research approaches are most often used when testing for cause-and-effect relationships. They favour positivistic or post-positivistic research paradigms because deductive research follows a more rigorous scientific method for sampling and observation (Venter and Van Zyl, 2017). For example, a cause-and-effect relationship may exist between household income and family car purchases, but the reasons for buying a specific vehicle brand may not be known. The cause-and-effect relationship is regarded as deductive, but the reasons for purchasing a specific vehicle brand may only be uncovered through inductive research. Since a deductive research approach prescribes the use of rigid methodologies, the cause-and-effect results from data analysis do not allow for alternative explanations outside the manipulations of variables (Lee, 1999; Easterby-Smith *et al.*, 2018). An inductive research approach, on the other hand, allows for the understanding of the way in which humans interpret their world - or an interpretive reality (Saunders, Lewis and Thornhill, 2019).

The need to gain a deeper understanding of the market segmentation phenomena positions the proposed research in an interpretivism philosophy (Ponterotto, 2005; Saunders, Thornhill and Lewis, 2019). While Ponterotto (2005) refers to constructivism-interpretivism, the Saunders, Thornhill and Lewis (2019) text only refers to interpretivism. Alluding to it as social constructionism, Easterby-Smith *et al.* (2018) emphasise that researchers adopting this research philosophy create a reality through understanding meaning by people rather than objective and external factors. It aims to increase the general understanding of a situation by gathering data from which ideas are abstracted. In this study the word interpretivism will be used, as it signifies the perspective that phenomena are understood through interpreting meanings that people assign to them (Venter and Van Zyl, 2017). It is acknowledged that the term “constructivism” indicates a research approach that allows for *prolonged* interpersonal engagement with research subjects to support the “construction” of research findings (Ponterotto 2005), while an interpretivism approach allows exploring subjective meanings motivating people’s actions (Saunders, Lewis and Thornhill, 2019). This need not be over a prolonged period. Interpretivism resides under a phenomenological paradigm which prescribes that a phenomenon is explored with open-ended enquiry (Creswell, 2015). Earlier Marsden and Littler (1996) advocated research which they termed a market–oriented framework to evaluate marketing paradigms. They argued that researchers of marketing phenomena should follow an approach where they seek to understand how marketers do something rather than to understand what should be done. Creswell (2015) confirms this notion when summarising that qualitative research provides detailed perspectives of a few respondents, allows research participants’ experiences to be understood in their context and is based on the views of participants, not researchers.

This research paradigm promotes a hermeneutical approach, because it relates to interpretation or theories of interpretation (Soanes and Stevenson, 2005). A hermeneutical approach maintains that meaning is hidden and must be brought to the surface through deep reflection (Ponterotto, 2005). Supporters of the interpretivism approach emphasise the goal of understanding the real life experiences of respondents (Baker, 2001). One advantage of qualitative research is that data are based on participants’ own categories of meaning. Shared experience (data) provides an understanding and description of people’s personal experience of phenomena. Qualitative research may be used for studying a limited number of cases in depth (Poortman and Schildkamp, 2012). This research represents the interpretation of real-life events from managers, which adds specific context to the recording, analysis and interpretation of the data (Yin, 2016). According to this research position, reality is subjective and influenced by the context of a situation, such as an individual's experience and perceptions. The ontology (the assumptions made about how the world works) is influenced by subjectivism, meaning that phenomena are shaped by perceptions and actions from actors in a social context (Saunders, Lewis and Thornhill, 2019). As pointed out earlier, researchers advocate a better understanding of marketing practitioners' application of market segmentation theories. This calls for an attempt to capture the meaning of real world events from the viewpoint of respondents, which is different from that of a researcher (Yin, 2016). Searching for a deeper understanding of the way in which individuals react to the challenges of market segmentation will expose researchers to participants' experiences and perceptions. Not discounting the rigour associated with a positivist or post positivist research philosophy, the research allowed for the exploration of subjective meanings which motivate people's actions (Saunders, Lewis and Thornhill, 2019). Gill and Johnson (1997) preceded the opinion of Saunders, Lewis and Thornhill when they stated that a positivist research approach regarding management phenomena was challenged on the assumption that there is only one method with which to generate scientific knowledge and that natural science-like research may be inappropriate for social science research.

Hussey and Hussey (1997) motivated their support for interpretivism research as follows:

- People can never really be separated from the social context in which they function. Positivist research often does not allow for this very important aspect.
- A highly structured research design may cause relevant and value adding findings to be overlooked, because it does not allow any probing for deeper meaning behind the responses available to respondents.
- Researchers themselves are not objective. They inevitably interact with research subjects during the research process, but this participation does not get discounted during data analysis or interpretation.
- Trying to capture the full meaning of complex phenomena in a single measure could be regarded as misrepresentative. How will the research questions be answered when a research finding states that n-% of participants use market segmentation as a strategy to understand their markets better?

While it is acknowledged that subjective meaning forms part of the findings from the research process (the researchers and the respondents are both human), the opinions of marketing practitioners yielded credible data to answer the research objectives (Saunders, Lewis and Thornhill, 2019). In this regard, Mason (1996) provided guidance for the process of considering data sources for qualitative research. People as a data source represent data through experiences, interpretations of events, accounts, conversations and practices. The language used, the stories shared and the supporting resources such as publications supplied give context to the information gathered during interviews. This aligns with the researcher's ontological view that people's knowledge and shared experiences are meaningful qualities of their social reality – in this case the development of market segmentation strategies. On a more pragmatic note (Mason, 1996), the thinking processes behind market segmentation development would not be available from documentation, such as a written marketing strategy. Marketing strategy documents contain information about the decisions that were made regarding marketing strategies and not about the thinking processes that were used to shape decisions.

Myers (2013) believes qualitative research is perhaps the best way of bringing together academic scholarship and management practice, because qualitative researchers focus their research on real world situations. This is opposed to, for instance, laboratory experiments which are better suited to the rigour of quantification. Qualitative researchers tend to focus on complex and unquantifiable aspects. The choice of an interpretive research approach also aligns with the position of Saunders, Lewis and Thornhill (2019) that it is a good choice for a research topic that is fairly new, that generates ongoing debate and that lends itself more to the generation and analysis of data than to the reflection on theoretical themes that may emerge from the analysis. The research approach further resonates with Baker's (2001) opinion that understanding behaviour is at the very core of the marketing discipline and the reason for attracting so many researchers to this field. According to Gill and Johnson (1997), the justification for choosing this research approach lies in its ability to explain social phenomena and the fact that it is grounded in observation and experience.

4.2.2 Overview of research designs

To motivate the choice of a research strategy, the question "What evidence is required to answer the research problem?" must be contemplated. To determine the extent to which marketing practitioners share the view of marketing theorists that segmentation leads to marketing success, it must be understood how practitioners segment their markets. This cannot be accomplished when the analysis is done in an experimental setting, which is usually reserved for deductive research approaches where the validity of findings depends on the logic applied and the accuracy of the measurement (Ghauri and Gronhaug, 2002). Inductive research approaches suggest research strategies that lean towards ways to understand phenomena in order to, inter alia, provide a source of new hypotheses (Saunders, Lewis and Thornhill, 2019). It includes (but is not restricted to) case study research, grounded theory, ethnography and action research. For the research undertaken, the following four strategies were considered as the most apposite. A short description of each strategy will precede the eventual motivation for a specific research strategy.

Case study research forms the core of a qualitative research method toolbox (Panke, 2018). Case studies can focus on phenomena, a behaviour of a specific interest group or a specific aspect of the actions of an interest group, such as the development of a policy. It is often used when the concepts and variables are difficult to quantify and difficult to detach from their social context. A combination of what, when, how and why questions generally need to be answered in a management situation. It allows for understanding the dynamics of a topic being studied (Saunders, Lewis and Thornhill, 2019). They explain that the dynamics of the topic refers to the interaction between the topic of the case and its context. A case is also referred to as an observation that relates to a unit (Panke, 2018). Case study research focuses on one entity or only a few entities, but in substantial depth (Lee, 1999; Panke, 2018). Yin (2016) describes case study research as an empirical enquiry that researches modern day phenomena in depth. This corresponds with Myers's (2013) view that a research case study constitutes empirical evidence to convince other researchers of the applicability (or not) of a theory or proposition. Case study research is done in a real-life context and it is an ideal way to look at research questions that are closely connected to their context or situation. It is an extensive examination of one instance of something of interest and applies in instances where there is a deficient body of knowledge (Hussey and Hussey, 1997). This is appealing for business research, as management practice can often be best researched in its practical setting. Saunders, Lewis and Thornhill (2019) add that case study research is useful when exploring existing theory. Some of the strengths of case study research highlighted by Mouton (2014) are its high construct validity and the in-depth insights that it provides.

Grounded theory is used by researchers *"to develop theoretical explanations of social interactions and processes ina wide range of contexts, including business and management"* (Saunders, Lewis and Thornhill, 2019: 205). Theory is developed from the data itself; the outcome of a grounded theory multiple stage data collection and interpretation research process is well-developed theory that is grounded in data (Leedy and Ormrod, 2005; Quinn, 2009; Venter and Van Zyl, 2017). Grounded theory methodology was developed to fill the need for a systematic and defined process to collect and analyse qualitative data. The method which was eventually developed was called grounded theory because it reflected the source of the data which was "grounded" in human behaviour, words and actions (Goulding, 2002). Goulding asserts that the method is used mostly where theory is scant, or to provide a different look at existing knowledge. The goal of grounded theory is to develop new theory. The theory is developed by observation rather than by being formulated in advance and then tested as a hypothesis (Hussey and Hussey, 1997). Since grounded theory is cyclical in nature (multiple stage data collection and interpretation) and tends to focus on processes (Venter and Van Zyl, 2017), it is regarded as excessively time consuming (Mouton, 2014).

Ethnography is a methodology that originates from anthropology (Hussey and Hussey, 1997; Venter and Van Zyl, 2017). Charles Booth is considered the first person to have applied ethnography in industry when he spent time with working men's families as an observer (Gill and Johnson, 1997). This research strategy ties in with anthropology's study of people in their natural environment. As such, observation plays a big part in this type of research strategy. In the process, the researcher attempts to minimise his or her influence on those being observed (Gill and Johnson, 1997; Hussey and Hussey, 1997). The objective of this type of research is to enable researchers to interpret and explain the social world according to the way in which people who are members of that particular world relate (Lee, 1999). This research strategy is time consuming and takes place over extended time periods (Saunders, Lewis and Thornhill, 2019). They added that this research process needs to be extremely flexible to respond to the researcher's adjustments while developing new patterns of thinking about what is being observe.

Action research is also called participatory research, as it lends itself to a situation where the research participants (respondents) are in control of the research or are part of the development of the research methodology (Herr and Anderson, 2005). The widely accepted definition of action research suggests that the research is done by or with participants in an organisation, never to them or on them. This research attempts to find solutions to localised problems in the setting where the problem occurs (Venter and Van Zyl, 2017). As the name action research suggests, this research strategy is used when the objective is to use the research results for local and on-site improvements (Taylor, Wilkie and Baser, 2006). According to Cunningham (in Saunders *et al.*, 2009) action research is often used for the management of change, thus overcoming localised managerial challenges. It suggests that the perceived need for change should come from within the setting to which the research results will be applied (Herr and Anderson, 2005). According to Mouton (2014), action research quite often has an explicit commitment to changing the social conditions of participants. The action research strategy is designed for improving current practice in organisations in which the research is applied. By its design, it almost guarantees ownership and buy-in from participants. It understandably has an effect on the generalisability of the research results, as often research results can only be applied in the specific context of the action research project (Herr and Anderson, 2005). Action research methodology requires research, application of results and then research again to study the influence of results. If not satisfactory, the process starts over again. Yin (2016) mentions that participants in action research are fully involved in all phases of the project, from the planning through to the acting and observing and finally to the reflection on research findings.

Case study research was selected as research design to answer the research questions for this study. The research is not only context specific (business-to-business marketing), but is also a description of a specific management situation where what, when, how and why answers for research questions were asked (Saunders, Lewis and Thornhill, 2019). Unlike teaching case studies, research case studies are selected to contribute new insights or explore existing theory (Myers, 2013). Cases selected are used as empirical evidence to convince researchers of the applicability of the research proposition. The cases selected should reflect the characteristics of the entities that the research addresses, while research findings are based on substantial insights gathered through in-depth interviews (Lee, 1999). According to Leedy and Ormrod (2005), researchers can focus on a single case, but two or more cases assist in making comparisons, building theory or proposing commonalities. When more than one case study is used as the research design, it is called multiple or collective case studies (Leedy and Ormrod, 2005). Easterby-Smith *et al.* (2018) confirm that a case study research method is used to focus in-depth on one or a small number of participating organisations. Case study research produces a rich picture of behaviour in organisations. The cases selected share characteristics from the research population concerning origin, legality and other factors relating to the milieu of the research population. Mason (1996) mentions that sampling in a qualitative research setting requires a researcher to carefully select cases that share characteristics with the sample population.

4.2.3 Research approach followed

Case study research was used to gain an in-depth understanding of marketing practitioners' interpretation of market segmentation and how decisions are taken, why these decisions are taken and what thought processes drive these decisions (Farquhar, 2012). Flyvbjerg (2006), in interrogating case study research, defines a case study as an in-depth exploration of a single phenomenon (a case). He explains that case study research enhances the experience of learning by adding expert knowledge to context-independent (theoretical) knowledge and that case study knowledge is central to human learning. According to Harrison *et al.* (2017), case study research has earned a reputation as an effective research method to understand complex real life situations. One of Flyvberg's (2006) arguments in favour of case study research is that predictive theory cannot exist without understanding context-based practice. The case study method has thus been used as a retrospective account of market segmentation thinking processes, relying on the reconstruction of thoughts about market segmentation decisions as recounted by participants (Lee, 1999). Being retrospective, as opposed to real-time case building, the design did not call for a longitudinal study (Eisenhardt and Graebner, 2007). The purpose of this research is to learn more about how market segmentation decisions are taken in their naturally occurring context (Venter and Van Zyl, 2017). As suggested by Venter and Van Zyl (2017), case study research should preferably attempt to add value to WHAT and HOW questions through deeper insights by asking WHY questions. Yin (2016) argues that the value of case study research is that it deals directly with the case in a specific real life context and that it can be used for analysis and to elaborate on known theory. Easterby-Smith *et al.* (2018) confirm that case studies add value through providing breakthroughs to new ideas and through allowing the investigation of more abstract concepts. According to Myers (2013), the purpose of case study research in business and management is to use evidence from real people in real organisations to contribute to knowledge. This research aims to do just that – to gain insights from marketing practitioners themselves into making market segmentation decisions that will influence the performance of their organisations.

4.3 Research delineation

Before explaining the research sample, it would be important to understand the scope of this research. Delineation refers to the focus of the research (Hofstee, 2006). Focus provides guidelines regarding the relevance of the data collected about the phenomenon of enquiry. The focus of this research is on the following specific aspects:

- The research is limited to South African organisations. While research on market segmentation was done in the context of other countries (Harrison and Kjellberg, 2010; Weinstein, 2014b; Thomas, 2016), there is a paucity of similar research from a South African perspective.
- Insights from business-to-business marketing practitioners were confirmed. Researchers such as Weinstein (2014) reflected on the scarcity of research about market segmentation in the business-to-business marketing context. Marketing textbook authors such as Malaval, Bénaroya and Aflalo (2014) and Armstrong, Kotler and Opresnik (2017) confirm the importance of market segmentation in a business-to-business context (a notion shared by marketing and management students) and the lack of research into this specific area indicated a knowledge gap.
- The term marketing practitioners refers to managers who are specifically concerned with the development and implementation of marketing strategies in their organisations. While other role-players, such as business consultants, may be involved in the formulation of marketing strategy – of which market segmentation is a key constituent – research from

Venter *et al.* (2014) confirmed the importance of practitioners inside an organisation in formulating and implementing market segmentation decisions from the case study organisation. Their research revealed a "revival" of market segmentation from managers inside the organisation after the segmentation decisions that had been taken with the assistance of business consultants were seemingly forsaken. While it remains the responsibility of managers inside an organisation to ensure that segmentation decisions are implemented, their viewpoints about formulating marketing strategy and taking market segmentation decisions were considered the most valuable.

- The research highlights the thinking processes that marketing practitioners followed in developing market segmentation strategies and not the strategies themselves. It must be kept in mind that the market segments and the marketing strategies developed to attract, serve and retain market segments are highly confidential in competitive environments. The focus was thus on how decisions were formulated rather that what decisions were made.

4.4 Sampling

In its broadest sense, sampling is applied to identify, select and gain access to relevant entities that can be used for data gathering (Mason, 1996). While the intention of quantitatively based research sampling is to provide for representation from the research population to enable generalisation of research findings, qualitative sampling is a purposeful selection of participants who can best elucidate the phenomenon that is explored (Creswell, 2015). Only one inconsistent opinion (case) regarding conventional theory is required to change opinions about it (Siggelkow, 2007; Easterby-Smith *et al.*, 2018). Yin (2016) explicitly mentions that no clear formula for gauging the desired sample size in a qualitative study exists and explains that representation through adequate sampling proves problematic in both research paradigms. Even with statistically significant sample sizes, quantitative researchers acknowledge that findings may not have practical significance. Qualitative research is seldom used to arrive at statistically valid conclusions (Ghauri and Gronhaug, 2002), but rather to gain insights and build an understanding of the selected phenomenon (Amerson, 2011).

The question "How many respondents are sufficient?" was explored in detail by Saunders *et al.* (2017) in their discussion of saturation regarding samples for qualitative research. According to them, defining saturation could facilitate judgements about sufficiency of data. This could refer to the number of respondents in a sample, but also to the saturation of information gathered from a single participant. This corresponds with Myers's (2013) view that reviewers often incorrectly assume that more interviews are better, while the importance of qualitative data analysis lies with the depth of analysis and not with the number of interviews conducted. While the notion of saturation has gained orthodox acceptance amongst qualitative researchers, it should not only be regarded as an ideal number of responses (Saunders *et al.*, 2017) but also as a function of the detail of data provided by an individual participant, thus a full understanding of the participant's perspective. Easterby-Smith *et al.* (2018) confirm that case study research is more concerned with providing a detailed report of the behaviour in organisations. Their opinion coincides with that of Hennink *et al.* (2017), namely that there are different types of saturation. In the research of Hennink *et al.*, in which the concept of qualitative saturation is interrogated, they mention that saturation refers less to sample size and more to the appropriateness of the sample used. Saunders *et al.* (2017) also explain that saturation is never certain when doing qualitative research – who knows when the next participant will provide a completely new viewpoint? In this regard, Flyvbjerg (2006) points out that Aristotle's theory of gravity, which was proposed more than two millennia ago, dominated thinking in this area until it was overruled by Galileo based on one conceptual experiment. Galileo's experiment did not encompass a representative random sample of trials of different objects dropped from a wide array of randomly selected heights under varying wind conditions, as is often a requirement for positivist researchers. Yin (2016) agrees that in planning qualitative research it will never be certain beforehand how many participants will be deemed sufficient. Myers (2013) suggests that during data analysis, a choice should be made between depth of analysis and a broader number of data sources. More data sources inevitably lead to so much data that it cannot be analysed in comprehensive detail.

As mentioned earlier by Mason (1996), the term sampling is most often associated solely with the laws of probability and statistical validation. In qualitative research, the logic of probability is rarely applied. Qualitative researchers should, however, take sampling decisions based on the appropriateness of the relationship between the sample participants and a research population (Mason, 1996). This notion is supported by Yin (2016), who argues that selected cases should have a logical association with the sample population. In the pursuit to advance current perspectives, it is unlikely to gather qualitative data from a statistically representative sample of the research population (Siggelkow, 2007; Wrona and Gunnesch, 2016). Eisenhardt and Graebner (2007) emphasise that in research where theory must be augmented, representative sampling is inappropriate. It would be appropriate for research in which theory is tested. There are few guidelines for the ideal number of cases that should be selected to be sufficient (Venter and Van Zyl, 2017). The sample participants should, however, relate to the research population in terms of country, type of organisation, groups of people and contexts (Mason, 1996). The sample selected must share characteristics with a broader universe. These characteristics are briefly discussed below:

- Organisations must be South Africa based. All the participating companies are based in South Africa. Narrations of market segmentation and how it is done, are thus based on the context of the South African legal, political and economic situation, its competitive position and the challenges that managers face when developing marketing strategy.

- Businesses must be legal entities in South Africa. It goes without saying that the organisations included as case studies should be legally registered businesses. All participating organisations are legally registered entities in South Africa. One participant company has a head office based abroad, but the South African entity is registered separately as a local business.
- Businesses must have national and/or regionally based operations. The reason for this is that organisations with a larger representation than, for instance, only one city will be predisposed to a more formal marketing strategy and therefore use market segmentation as an important output of strategy. All participating organisations have a national footprint, while one does business in an African regional context as well.
- Businesses are in a competitive (not monopolistic) market. As found by Dolnicar *et al.* (2005), entities in a competitive environment benefit most from market segmentation. All participating companies must operate in a competitive environment.
- Managers in the organisation must be responsible for the formulation and implementation of marketing strategy. Only managers who are actively participating in the marketing strategy development and subsequent market segmentation decisions would be able to describe the thinking process used to develop and select suitable market segments. Managers responsible for operationalising the marketing strategy would not be in a similar unique position. As the *thinking* process applied in taking decisions about market segmentation would not reflect in a marketing strategy document, the research relied on verbal responses from participants in this regard. It was also important that managers in South Africa actively participate in the market segmentation planning process, as opposed to head office structures based elsewhere which decide on strategies that must be implemented by their South African management colleagues.
- Business managers (participants) must have a formal marketing strategy. In the process of identifying suitable participants, discussions were held with several managers from potential respondent organisations. Surprisingly there are organisations that don't rely on any form of marketing strategy (written or unwritten) to take decisions about future growth. It was found that many organisations use a previous year's sales and financial performance and add a random percentage increase to that as the target for the new year. The percentage figure used to determine growth has very little resemblance to market potential, one of the important pillars for marketing objectives. A conscious decision was thus made to select participants who had a more formal approach to marketing strategy development.

- Participants must be able to relate to their experiences from a business-to-business marketing perspective. Since the focus of this research is on experiences in the business-to-business marketing context in South Africa, participating companies had to relate their market segmentation experiences in this context. While two participating companies operated exclusively in a business-to-business environment, another also catered for needs in the business-to-consumer marketing environment. The participants from this case study offered insights related to experiences from their business-to-business marketing context.
- Participants must be willing/available to share experiences. It was difficult to get participants to commit the time required for the interviews. While some potential participants were willing to share their experience, work commitments taking respondents out of their offices and out of the country forced the researcher to select respondents based on their availability. It should be mentioned that an outbreak of a health risk incident in manufacturing plants of participants who had signalled their interest in participating in the research resulted in their cancelling their initial commitment for participation to focus on the public relations and other operational calamities that ensued after the outbreak became publicly known.
- Respondents should not be in direct competition with one another. While it would ultimately add value to insights if it was known how competitors outmanoeuvre each other using market segmentation to demarcate and understand their markets better, it was regarded as unprincipled to gain insights from directly competing organisations. The case studies selected don't compete with each other directly, which provides an opportunity for cross-case comparisons (Venter and Van Zyl, 2017).

An intentional non-random sample selection method was used to increase the chances of getting insights from the right information sources (Leedy and Ormrod, 2005). Since the objective of this research is to understand market segmentation from a marketing practitioners' perspective, critical sampling was used. Critical sampling refers to the purposeful selection of specific cases which are used to gather important details of a defined situation (Hussey and Hussey, 1997; Jarratt and Fayed, 2012). The word purposeful in turn refers to a deliberate focus on participants who can provide the most plentiful and useful data (Yin, 2016). The research by Jarratt and Fayed (2012) applied similar criteria in their choice of a single case for their research.

An example of research findings based on a single case is that of Jarratt and Fayed (2012) who used a single case in the banking environment to describe market segmentation dynamics in a services environment. Venter *et al.* (2014) used a single case to answer the question on market segmentation emergence in the organisation, while Huang and Wilkinson

(2014) used one case to describe the development of trust in a business relationship. Earlier Harrison and Kjellberg (2010) shared research findings from a single case about market segmentation unfolding as innovation progressed.

The use of three case studies could suggest the researcher's predilection for a more positivist epistemology regarding generalisation. The decision to use multiple case studies for the research was motivated by the opportunity to compare findings from one case with findings from others. It agrees with Myers's (2013:78) definition: *"Case study research in business uses empirical evidence from one or more organisations where an attempt is made to study the subject matter in context"*. While it is acknowledged that qualitative research findings seldom provide opportunities to generalise (Ghauri and Gronhaug, 2002), the objective of this research was to gain new insights and get an in-depth understanding of market segmentation practice (Amerson, 2011). Gaining insights from more than one participant in each case study organisation and more than one case allowed for in-case analysis as well as cross-case comparison. Such an approach permitted finding possible patterns in the data (Venter and Van Zyl, 2017). While single case studies can provide convincing assessments of theory, multiple case studies (also called collective case studies) give the opportunity for between case comparisons and finding possible general similarities (Leedy and Ormrod, 2005). Panke (2018) confirms that comparative case studies allow for stronger findings based on the broader scope of information sharing. Apart from the fact that more than one case study was used, multiple respondents were interviewed within each case study organisation.

The target population was organisations from a business-to-business marketing context. As so many researchers, for example Millier (2000), expressed their concern about the lack of information about market segmentation application in the business-to-business context, the sample focused on participants from this environment. A Unisa Bureau of Market Research report (Van Aardt, 2014) stated that the gross value added (GVA) contribution from the primary and secondary sectors steadily declined over time. GVA is an indication of total value growth in an economy and is a measure of the total flow of goods and services produced in an industry or a sector of the economy over a specific time, such as a year. The decline in GVA signals problems for business-to-business marketers, as the markets that they typically sell to steadily decrease as contributors to the economy. Insights into market segmentation decisions from a practitioners' perspective may provide relevant information that could be applied by marketers when the use of information to refine marketing strategy is seen as timeous. Further to that, an analysis of data in Statistics South Africa's Input-output tables (Statistics South Africa, 2014), indicated the relative importance of the business-to-business sector in the South African economy. An Input-output table is a theoretical framework that focuses on the relationship between industries and their *production* and *use* of products and services. It is thus an indication of how many products and services are used inside industries. The data indicate that primary and secondary industries (the industries in the business-to-business marketing domain), consumed (bought) approximately 52.5% of economic output. It emphasises the relative importance of the business-to-business market in the South African economy.

The unit of analysis is the marketing strategy planning event, with specific reference to market segmentation decisions taken during these sessions. Panke (2018) refers to synchronic case studies where two or more units are analysed in one point in time. Synchronic case study allows for between-case comparisons, while the context stays constant. Managers who actively participate in marketing strategy planning decisions in their respective organisations were selected to provide information. These managers are all key role players in the decisions concerning market segmentation. They were thus regarded as reliable informants whose insights that were used for data collection had practical relevance for business professionals (Myers, 2013). The selection of this calibre of respondents also satisfies one of the important criteria of validation of qualitative research findings, namely respondent validation. Conducting interviews with respondents directly (not through other sources) minimised the misinterpretation of their opinions (Yin, 2016). Quantitative measurements rely on the consistency and stability of a score resulting from a measurement process, unlike qualitative data which do not have scores in the same manner as quantitative data (Lee, 1999).

Initially five case study organisations were selected, of which three participated. More than one respondent was selected from each case study organisation to participate in the eventual in-depth interviews. As found by Creswell (2015) and Yin (2016), the targeting of specific respondents presented unexpected dilemmas for the researcher. As mentioned before, a breakout of a potentially life-threatening health problem in the production plant in an organisation that was targeted for inclusion, prompted its management to cancel their initial undertaking to avail themselves to take part in this research in favour of managing a publicity crisis. In another case, an emergency called for the participant to travel abroad for some time. These are examples of operational occurrences in the case study organisations that eroded the time budgeted initially to conduct interviews.

The selection of prospective respondents is best explained by the approaches described in short below:

- As a member of the Marketing Association of South Africa (MASA), the researcher potentially has access to numerous possible respondents. The need to interact with respondents was discussed in detail with a management member of MASA. The detail included the background and purpose of the research, the type of participants that would be suitable for involvement, the format of the interaction, the time required from participants and the ethical undertaking from the researcher. After agreeing that the management member would assist in contacting potential respondents, a detailed e-mail message was sent to the MASA manager. In turn, his message was used as the basis for communication between the management member of MASA and potential participants. The reason for this approach is that the MASA manager had a more personal relationship with MASA members and it would be easier to open doors with potential respondents on whom the researcher and the MASA management member agreed (making certain to adhere to the principle of critical sampling) initially and then put the researcher and the potential candidate in contact with each other. In the end, none of the participants that were initially contacted through this process participated. This not only led to no return on time invested to source potential participants in this manner but is also indicative of some of the difficulties that researchers need to overcome when canvassing from a population that protects its time jealously. The researcher had to adopt an approach where potential respondents who were known to him or in some way closer to his sphere of influence could be approached for participation.

- Regular formal and informal discussions about the research were held with members of the researcher's network. Often names were provided of potential respondents with whom they had business network ties. An e-mail message was sent to potential participants to explain the purpose of the research. If the potential participant indicated interest in participating, a meeting was set up to discuss the details of the research project, as well as their role in providing information and the time that they should be willing to sacrifice when participating.
- Discussions with a wider network of business owners and managers who were known to the researcher also provided opportunities for broadening the selection of potential participants. As such, a snow-ball sampling effect was adopted to gain access to potential respondents.

To prioritise candidates to approach for participation, the following guidelines were applied to purposefully sample.

- For understandable reasons, participants selected for the study had to be in organisations that did formal marketing strategy planning. As mentioned before, there are organisations that don't use a formal marketing strategy planning approach in a regular and structured manner. The reason for this guideline was that managers would be able to comment on the way that decisions were taken about market segmentation during the strategic marketing planning exercise.

- When marketing strategy planning is done, market segmentation should be part of the decisions taken. It is not always a given that market segmentation will be part of the marketing strategy planning process. Initial discussions with potential participants revealed that marketing strategy often only entails market penetration (selling more products and services in the same markets) or innovation (developing new solutions in the same markets) (Armstrong, Kotler and Opresnik, 2017). In both these cases, the market segments are assumed to be in place. Discussions with potential participants indeed confirmed that many business-to-business marketers focused on increasing the percentage sales based on sales from a previous period (usually the previous year), and as such market segmentation was not properly considered.
- Prospective participants had to actively participate in market segmentation decisions. They would therefore be able to provide the required detail about what, how and why specific questions.

4.5 Data collection

Data collection in a case study research design could rely on observations, interviews, records and documents or audio-visual material (Leedy and Ormrod, 2005). According to Markle, West and Rich (2011), previously qualitative researchers could do desk research only. Today, however, such an approach will not be considered authentic. For this research, data were collected through personal face-to-face in-depth interviews with individual respondents. Mason (1996) describes the process as rather a data *generating* process, as the qualitative researcher can never be a completely neutral collector of data in such an intimate setting. People, in this instance marketing practitioners, were considered the most appropriate data source for the objectives of this research. Eisenhardt and Graebner (2007) comment on the suitability of in-depth interviews when research probes phenomena that are strategic in nature and tend to be episodic. Decisions about market segmentation tend to be made during a sporadic (often annual) discussion about marketing strategy. The respected qualitative research author Yin (2016) refers to data collection as the building blocks of qualitative research. Apart from a topic, researchers must ensure clarity on data source(s) and the data collection methods associated with obtaining data from identified sources. Other sources of data, such as diaries, annual reports, marketing brochures or other marketing communication, would not reveal the details about the approach and thinking processes that were considered in the development of market segments. A data source such as the marketing strategy document would reveal the actual market segments, but not how the managers came to decide (the process) on segments.

It is important to distinguish between the data sources and the data collection methods. Sources of data will determine the collection method selected (Mason, 1996). The use of personal face-to-face in-depth interviews fitted the researcher's ontological position that people's views, knowledge, experiences and interpretations are valuable insights into the social reality that this research wanted to explore. The research called for in-depth understanding of a specific situation which is lived by individuals such as those interviewed. Reality is created through people rather than objective and external factors and as such understanding what people mean reveals the reasons behind behaviour. Based on Yin's (2016) approach, this study started with research questions that developed out of insights gained from a literature review. The other option would have been to start with data collection and develop research questions from insights gained in this way (Yin, 2016). The latter might be more time consuming and uncertain regarding outcomes. Reviewing literature provided guidelines on the level of understanding and the unattended questions related to market segmentation practice in the business-to-business marketing environment - in this case, also the South African (and African) context.

The decision to have face-to-face interviews (rather than telephonic or video interviews) was motivated by the openness created between the researcher and the participant (Lee, 1999) when facing a participant. The researcher also opted to do the interviews personally, as it is believed that another format, such as a mediated, telephonic or electronic interview, would lack the personal context, depth and non-verbal cues associated with personal interaction during interviews (Easterby-Smith *et al.*, 2018). Several information exchanges had taken place between the researcher and participants by the time the researcher and the participant eventually got together for the actual interviews. These exchanges can be summarised as follows:

- A telephonic conversation was conducted to furnish information about the researcher and the research itself and to enquire about the willingness and availability of potential participants.
- If the participant agreed to assist and participate, an e-mail message was sent to expand on the information and request an appointment at a time that would suit the participant. The researcher left the appointment dates, times and venues for the participant to decide.
- A participant information sheet providing full details of the research was then sent to individuals. This information sheet is one of the requirements for the Unisa ethical application process. It gives full details on the research, such as the nature of the research, the participant's involvement and some research ethics information.

- The researcher personally visited participants to discuss the research. The roles of participants and the researcher were defined, and participants could avail themselves of the opportunity for further clarification.

When the researcher met with a participant for the first formal interview, several exchanges of information between participants and the researcher eliminated some of the potential uneasiness that naturally occur between individuals in such a setting. The researcher was intensely aware of the fact that he might be regarded - because of his position as lecturer of marketing at a University business school - as someone with superior knowledge about the topic and therefore participants might attempt to provide the "correct" answers. Some participants wanted to know if they would be able to "answer your questions" when they were recruited. The communication before the actual in-depth interview was done to, inter alia, inform participants that the researcher wanted to learn from practitioners and therefore sharing their experiences would be extremely valuable. Yin (2016) emphasises the importance of establishing relationships with participants before entering their domain (which Yin refers to as the field setting) while Myers (2013) refers to a qualitative interview as a drama with typical elements found on stage in a play. According to this view, the interview is regarded as the drama with the participants' offices as the stage, and the interviewer and participant as actors and audience (both have an opportunity to talk, listen and interact). The discussion guideline is the metaphorical script for the drama.

At least two interviews were conducted per case study organisation. The objective of the first interview was to gain insights into the approaches and thinking process in developing market segments, while the second interview was used to test the understanding of the researcher regarding information shared during the first interview. The second interview was also used to obtain more detail or clarify aspects of the information shared during the first interview. Before each interview, participants were reminded that the interview would be recorded. An unobtrusive small digital recorder was used. Apart from posing questions, the researcher tried to withhold any verbal comments during the time that insights were shared – instead relying on nodding his head as a non-verbal cue that participants should carry on sharing their experiences (Yin, 2016).

More than one case study was used, and more than one individual participated within each case study. Information shared by Eisenhardt and Graebner (2007) support the notion of including more than one case to sustain the objective of theory development as insights are grounded in more varied evidence.

4.5.1 Research quality

Collected data, but particularly qualitative data, can often not be scrutinised for reliability and other significance measures (Pratt, 2009) in the same way as quantitative data. As suggested by Myers (2013) and confirmed by Nowell *et al.* (2017), there are criteria that can be applied for re-assurance regarding the quality of qualitative data. The Total Quality Framework (TQF) approach suggested by Roller and Lavrakas (2015) was also considered in taking care of aspects regarding qualitative research quality. As a response to the current disagreement between researchers of what constitutes quality in qualitative research, a framework was developed and proposed that can be applied to confirm the quality of qualitative research. Their framework is based on a discussion that includes examples of researchers that could not agree whether quality of research is solely based on the methods applied for data gathering and analysis or the effort that researchers invest in convincing (subjectively) others of the value and legitimacy of their findings. It is in the context of the current disharmony and controversy surrounding the quality of qualitative research that Roller and Lavrakas (2015) suggested the TQF approach as a useful instrument that qualitative researchers can apply in planning, conducting and interpreting qualitative data. The criteria can be summarised as follows:

- Ensure that data collected are credible. The researcher made sure that the participants in the data collection phase were credible. Purposeful selection of all participants confirmed that all were managers of organisations who actively participated in marketing strategy development of their respective organisations. Before actual interviews and as part of the selection process, it was specifically mentioned that the focus of the research was to find out how decisions were made that led to the identification and selection of market segments.
- Establish dependability. Participants were selected from the business-to-business marketing environment. The context of their shared experiences was thus similar. Instead of providing an open book for the interviews, the focus of interviews was placed on market segmentation and the thinking process applied to make strategic decisions about segmentation.
- It is not the objective to gather information that will be transferable to a broader business-to-business marketing population. The quest was for in-depth insights into current management practice. Using more than one case study and more than one participant for each case study offered the opportunity to assess the degree of similarity between participants' experiences. The first part of all follow-up (2nd) interviews was used to confirm the researcher's understanding of the context of what had been shared during the first interview. Participants had the opportunity to correct any misinterpretations. It happened

that participants drew the researcher's attention to points that were not shared during this part of the interview and the researcher could amend the data to include omissions.

- Ensure conformability. During the recruitment of participants, they were filled in on what was expected from them. They were informed beforehand that the interviews would be recorded and transcribed. Participants had an opportunity to consider these conditions before agreeing to participate in the research.
- Secure authenticity. This was achieved through the reliability of the data sources, as well as proof of recorded and transcribed in-depth interviews.

Validity in the qualitative research context does not depend on statistical inferences, but rather on the plausibility of the data and the conclusions drawn from them (Myers, 2013).

4.5.2 Research instrument

The research instrument applied was a semi-structured discussion guideline with open-ended questions. Easterby-Smith *et al.* (2018) refer to this mode as a topic guide, which is a prepared list of areas (rather than rigid questions) that the researcher needs to cover during an interview. Interviews can be conducted using formally structured interviews, unstructured interviews and semi-structured interviews. Formally structured interviews are characterised by rigid questioning, with no deviation from the interview script (Myers, 2013). As this was undesirable for the type of information that the researcher was seeking, the semi-structured nature of the interview guideline allowed deviations from a formal script; "Why", "What" and "How" questions needed to be added as information shared by the participants provided such opportunities (Zikmund and Babin, 2013). Allowing for deviations from a formal interview guideline script is referred to as laddering (Easterby-Smith *et al.*, 2018). The original interview guideline for the first interviews contained questions that were broadly aligned to obtain insights about the research questions posed earlier. The interview guideline was adjusted after each interview to emphasise specific points made by a participant in preparation for the next interview. The implication is that data analysis took place after each interview to guide the researcher to formulate questions for successive interviews, whether between participants or from one interview to the next for the same participant. Interviews were spread out sufficiently over time to allow the researcher to go over interview data from a previous company respondent's participation. The interviews were thus conducted as follows:

First interview, first case study organisation, participant one (go over insights from interview to see if specific aspects need to be emphasised for second interview). Total interview time 80 minutes.

Second interview, second case study organisation, participant one (go over insights from interview to see if specific aspects should be emphasised for third interview). Total interview time 67 minutes.

Third interview, third case study organisation, participant one. Total interview time 46 minutes.

Fourth interview (follow up), first case study organisation, second participant. Total interview time 63 minutes.

Fifth interview (follow up), second case study organisation, first participant. Total interview time 29 minutes.

Sixth interview (follow up), third case study organisation, second participant. Total interview time 49 minutes.

The six interviews involved 3 case study companies. A total of 334 minutes of conversation was recorded and 5 participants eventually participated.

Apart from these formally scheduled interviews, one participant contacted the researcher a day after the first interview to clarify and elaborate on some of what had been shared during the interview. In another case, the researcher had an opportunity to split the first interview into two separate interviews. This was done on request from the participant, because the time initially budgeted for the interview was shortened due to a work-related matter that required the participant's urgent attendance.

All interviews were transcribed as written data would be easier to use for analysis. In the transcriptions, the names of any individual or organisation referred to during interviews were removed; this was a way of avoiding bias or subjectivity of interpretation during data analysis (Myers, 2013), as well as protecting the identity of any participant or case study organisation, which is a requirement for ethical research.

4.6 Framework for data analysis

The division between data gathering and data analysis that is so distinct in quantitative research does not always apply for qualitative data analysis (Nowell *et al.*, 2017). Earlier it was mentioned that data collection should rather be regarded as an information building process. These two processes are not distinctly separate in qualitative research (Mason, 1996; Myers, 2013). Qualitative data tend to be unordered (in this research it constituted in-depth interviews using semi-structured discussion guidelines as instrument) and the researcher needed to decide how best to convert the body of unordered data into something meaningful (Myers 2013). All qualitative data analysis techniques share broad philosophies, such as being open-ended and people centred (Vaismoradi, Turunen and Bondas, 2013). The data analysis was a process of understanding the meaning of what was shared, conducting data analyses, gathering more data and then conducting data analysis again. After data collected during the first interviews had been analysed, a second interview was scheduled to confirm the researcher's understanding and to add information that was still required for a clear picture of the approach that marketing practitioners use when they segment their markets.

Below is a short description of the most notable qualitative data analysis approaches before the choice of approach is motivated. Although many approaches exist for qualitative data analysis and there is a considerable overlap between seemingly different approaches (Vaismoradi, Turunen and Bondas, 2013), the most pertinent approaches for business and management research can be summarised as follows:

Content analysis is a deductive analysis method. It is used when constructs or codes are mostly predetermined and when data are systematically searched to link similar constructs (Easterby-Smith *et al.*, 2018). The technique is applied to enable replication of references from data (Myers, 2013). The researcher uses content analysis to look for frequencies of words and how they change in frequency over time. It can be used for both theory development and testing of hypotheses. It is mostly used to analyse text data, which include interview transcripts.

Key variables are linked in a holistic theory for **grounded analysis**. It is a more intuitive approach without assigning any structure to the coding of data. The aim of this type of analysis is to keep the data that are analysed open to broad interpretation, rather than framing the data to a pre-determined structure.

Template analysis is used to develop a prototype (or template) that is then used to categorise qualitative analysis.

While content analysis and **thematic analysis** are often regarded as one and the same, there are notable differences between these two data analysis approaches. While the purpose of content analysis is to describe the characteristics of the content of qualitative data according to a systematic categorisation of text information, thematic analysis allows for the systematic identification, analysis and reporting of themes in data (Vaismoradi, Turunen and Bondas, 2013). Braun and Clarke (2006) consider thematic analysis as the foundational data analysis method in qualitative research. It is used to report on the meanings, experiences and realities of participants and to search for meaningful information across data sets (Braun and Clarke, 2006). This has been confirmed by researchers such as Nowell *et al.* (2017), who assert that thematic analysis is a data analysis method in its own right and is used for identifying, analysing, organising, describing and reporting on qualitative data. Research by Deer and

Zarestky (2017) showed how thematic analysis was applied to gauge the changes in business students' attitude and skill regarding business solutions for the social, environmental and economc dilemmas faced by business today. Tuzovic, Wirtz and Heracleous (2018) used thematic analysis to understand how one case study organisation could sustain service innovation over a period of more than 30 years. Thematic analysis used in this longitudinal single case study organisation gave insights into factors that resulted in sustained services innovation.

Advantages of thematic analysis are that it is easy to adapt to varied research environments, it is a relatively accessible data analysis approach and it can be used in analysing data from different participants in the same study. Braun and Clarke (2006) contend that thematic analysis is a flexible approach. Compared to, for instance, conversation analysis, it allows for a rich and detailed account of qualitative data. What appeals to researchers, especially those with little experience in qualitative data analysis, is the accessibility of thematic analysis.

Two levels of themes are identified. Semantic themes represent the themes from what participants said, while latent themes represent an interpretation in which the sematic content is construed (Maguire and Delahunt, 2017). While content and thematic analysis could begin with a theory about the research phenomenon, thematic analysis does not describe the data set according to its content (e.g. types and incidences of specific words), but rather interprets data anchored by the research topic. A bottom-up data analysis approach was used, as the aim of this research was to explore and therefore concepts emerged as the data were analysed (Myers, 2013). The thematic data analysis process typically allows for a systematic approach that starts with data familiarisation and then progresses to development of initial codes, searching for themes, reviewing themes and defining and naming themes before reporting on the findings from the data (Vaismoradi, Turunen and Bondas, 2013). The research was undertaken to make scholarly research that could be applied in management practice accessible by providing an understanding of the socially constructed realities of marketing practitioners when deciding on market segmentation. This approach was suggested by Aram and Salipante (2003) to promote rigour *and* relevance in an attempt to bridge the relevance gap in management research.

Table 4.2 summarises the subtle differences between content analysis and thematic analysis.

Table 4.2: Differences between thematic and content analysis

	Content analysis	**Thematic analysis**
Aims and focus	Exploring work on unknown phenomena.	Analyse narrative material of life's stories.
Philosophical background	Dealing with communication theory from a factual perspective.	Realist and constructionist factual perspectives.
Process of analysis	Description and more interpretation, both inductive and deductive, danger of missing context, possibility of finding a theme based on the *frequency* of its occurrence, division of manifest and latent contents, non-linear analysis process.	Description and interpretation, both inductive and deductive, emphasising context, integration of manifest and latent contents, drawing thematic map, non-linear analysis process, no peer checking.

Source: Adapted from Vaismoradi, Turunen and Bondas (2013)

Linking the data analysis to research questions as initial themes, thematic analysis was used to draw organised interpretations for the qualitative data that were gathered. Thematic analysis allowed for organising ideas according to a predetermined framework (relating to the research questions) and linking participant experiences to the framework. Using the guidelines provided by researchers such as Braun and Clarke (2006), Vaismoradi, Turunen and Bondas (2013), Maguire and Delahunt (2017) and Nowell *et al.* (2017), the analysis went through different phases of conferring meaning to the data in the context of the research questions. The practical guidelines regarding thematic analysis from the research published by Bree and Gallagher (2016) were applied and a spreadsheet approach was used to process the data.

The data analysis framework has very specific phases that characterise a formal approach to qualitative data analysis. Applying a set of clear guidelines moderates critique about the rigour of qualitative data analysis (Braun and Clarke, 2006) and assists in applying thematic analysis that is theoretically and methodologically comprehensive. Similarities in this framework can be seen in the suggestions from LeCompte (2000) and Yin (2016). Both researchers suggest organising data before it is interpreted and then telling the story that the data analysis revealed. Authors of qualitative data analysis techniques, such as LeCompte (2000), Myers (2013) and Yin (2016), agree that data analysis is not a synchronous process, but one of going back and forth in making connections between the data and the research ideas (Gläser and Laudel, 2013). The phases can be described as follows:

- Compiling data by sorting them into files that make it easy for the researcher to access different sets of data. In this instance, all interviews were separated into files with coded file names to facilitate identification. Each separate file had the recorded interview and the transcription. In some cases, notes were added to the raw data files (as additional notes) which contained information that was not recorded and therefore not transcribed. For instance, in one case a participant called the researcher a day after the formal interview to discuss aspects that he felt had not been made clear when he shared the information during the formal interview. In other cases, notes were made after the voice recorder had been switched off and the participant shared some more information that was then not formally recorded. The researcher made notes about the information shared as soon as practically possible and to the best of his ability recollected what had been said. It should be noted that report writing, and qualitative data analysis occur simultaneously, as there is a continuous moving back and forth in the data set. Writing starts at the first phase, when ideas and potential coding schemes are noted down as the researcher becomes familiar with the information contained in the data set (Braun and Clarke, 2006).

  In support of the legitimacy of experiences shared in the first in-depth interview, additional evidence, such as marketing communication material, was incorporated. For example, when participants revealed that they communicated in different ways to different market segments, evidence provided was included in the data analysis. It is important to note that before the data analysis started, recordings of all interviews were compared with the transcribed text to ensure that everything that had been divulged by each participant was transcribed exactly as it was recorded. As suggested by Maguire and Delahunt (2017), becoming familiar with the entire body of data is the first part of qualitative data analysis. Reading, rereading and making notes form part of the stage in which the data analyst gets to know the data before diving into deeper analysis.

- Disassembling the data by scrutinising the data for specific characteristics that could be grouped together. Codes can be used to identify groups of data that seem similar. Codes are words or short phrases that encapsulate the meaning of a certain piece of qualitative data. Using codes is suggested by Barnett-Page and Thomas (1986); Thorne (2000); Hsieh and Shannon (2005); Kohlbacher (2006); Gläser and Laudel (2013); Myers (2013); and Yin (2016). The codes, which are regarded as units of data analysis, represent fragments of similar looking data and may be regarded as sets of data with similar meaning (Myers, 2013). Analysing data for themes is regarded as the first qualitative data analysis technique that should be considered by qualitative data analysts, as it represents a method of analysis that can be used across many different epistemological or theoretical perspectives (Maguire and Delahunt, 2017). Identifying themes goes much further than summarising data. Note the emphasis on the identification of themes, rather than the emergence of themes. Braun and Clarke (2006) accentuate the active role that data analysists of qualitative research data play in identifying, sharing and reporting patterns in the data that address research questions and objectives. They insist that themes do not rely on the frequency or dominance of specific words or phrases – this is the domain of content analysis.

In using codes, the first task was to identify phenomena that codes could be assigned to. Finding data referring to the main and secondary research questions was one way of allocating the data. Borrowing from content and template analysis as ways to investigate qualitative data, research questions guided the development of initial sets of categories of words and phrases which were then applied to the analysis of the text of the transcribed interviews (Myers, 2013). Braun and Clarke (2006) suggest that codes can be used for specific research questions. They also recommend that thematic analysis should progress from descriptive to interpretive data analysis. After initial semantic analysis the researcher started to look for patterns as a primary attempt to interpret data, in accordance with the practical guidelines provided by Maguire and Delahunt (2017).

- Interpreting the data as the last phase in data analysis. This phase showcases the ability of the researcher to use data analysis for creating concepts and advance theories. Braun and Clarke (2006) state that thematic analysis at a latent level aims to examine underlying ideas and concepts and therefore involves interpretation. Such analysis entails moving from describing data to theorising from the data analysis and therefore it is also referred to as thematic discourse analysis (Braun and Clarke, 2006).

4.7 Limitations and potential problems

Qualitative research methods are designed to understand people - what they do and why (Myers, 2013). It allows researchers to explore the milieu of participants in the research and to explain actions in a context best understood by them. Solving research problems is validated by thorough cross-examination of the actions and what motivated them from the participants' perspective. Understanding participants' viewpoints acknowledges that human interaction is crucial for understanding decisions made by marketing practitioners. Qualitative research originates from the social sciences to aid in understanding participants' actions and motivations from the context of the world in which they live and work. Instead of arguing the merits of qualitative research compared to those of quantitative research, it suffices to note that these two broad research approaches have categories of differences that every researcher should reflect on in planning a research project (Jørgensen, 2012). The strong and weak points of both epistemologies should not be regarded as opposing viewpoints, but rather as approaches to finding answers in a specific context. A qualitative research approach is adopted to support findings based on elaborate interpretations of research phenomena without the use of numeric measurement (Zikmund and Babin, 2013). As much as the statistics are accurate for numeric measures, the reasons why respondents have a certain score will be difficult to fathom without qualitative insight. While finding differences in sets of numbers may be a conventional point of departure for statisticians, reflection on the meaning of these differences will demand qualitative insights.

Transcribing interviews is widely regarded as common practice for data analysis (Friese, 2014; Yin, 2016; Easterby-Smith *et al.*, 2018), but researchers such as Markle *et al.* (2011) warn against the loss of true meaning from the spoken word translated to text. Authenticity of data is guarded through providing accurate transcripts from recorded interviews, but the nuances of emotions in oral responses cannot be captured in transcribed text. The researcher made sure that all recordings were transcribed verbatim. Listening to recordings as part of data analysis, the researcher noted elements such as where a participant paused, where voice pitches occurred or when specific words were emphasised, but even with the notes it has to be accepted that there will inevitably be a loss of meaning from the original discussion. Markle *et al.* (2011) conclude that even with special symbols used by specialist transcribers, specific meaning coupled to elements such as gestures and other non-verbal communication will not be captured in a transcribed text. During interviews, for instance, all participants scribbled on notepads which they had with them when arriving at the interview setting. This was not planned or prescribed by the researcher. The content of these notes/scribbles is not known to the researcher, but it supports the point that the exact meaning of what participants shared cannot be captured, translated and therefore shared. When participants showed the interviewer some marketing communication material, for instance, these actions could not be transcribed.

Rigour in data analysis enhances the trustworthiness of the research findings. For qualitative researchers using thematic analysis, rigour is locked up in methodical data analysis (Nowell *et al.*, 2017). As with any other data analysis technique, thematic analysis has its disadvantages. Researchers should ensure that they know about the inconsistencies that could occur in identifying themes while exploiting the flexibility of this analysis method.

Trustworthiness was referred to during the discussion of data collection, but it is important to note that trustworthiness is secured when credibility, transferability, dependability and confirmability are rigorously and consciously adhered to (Myers, 2013; Nowell *et al.*, 2017). Delmar (2010) refers to this specific aspect as “translatability”, meaning that the researcher should provide a description of the theoretical position and methods used in completing the research. An audit trail provides evidence of adhering to these principles and assists other researchers and reviewers with the decision paths followed to get to research findings.

One of the key concerns about qualitative research is the level of application of research results to other members of the population. In this instance, it should be kept in mind that one of the common qualities of in-depth interviews (as a research tool) that are used in case study research is that the findings are not meant to be generalisable (Zikmund and Babin, 2013). Delmar (2010) offers guidance about reporting on generalisability in qualitative research. Qualitative research’s generalisability is reflected in the application of research findings to similar contexts. This aligns with Yin's (2016) view that generalisation in research has more meaning than mere statistical generalisation, the most used quantitative research mode. Yin (2016) explains that qualitative research data can never represent any population from the sample used to inform and therefore analytical generalisation differs from statistical generalisation - it does not draw conclusions from data that can be applied to a population. Analytical generalisation compares the results of a case study to developed theory. The sample identified to participate in the case study research was thus chosen specifically for the ability to provide relevant information regarding the research questions. Unlike the exactness of research findings required in natural science contexts, research findings that were generated by researchers (people) and informed by participants (people) introduce layers of subjectivity that should be tempered with the rigour of data analysis (Delmar, 2010).

While Myers (2013) suggests that researchers might select a data collection method based on their own level of skill, in-depth interviews are regarded as mandatory in a case study research setting. To enhance the proficiency of the researcher in conducting in-depth interviews and limit the potential pitfalls often associated with in-depth interviews, some rudimentary precautions were taken. These include:

- The researcher tried to diminish the effect of unfamiliarity between the participant and the researcher by making personal contact with each participant before interviews started in earnest. He took trouble to meet participants, share information about the research and set them at ease regarding their role in the process.
- The meeting prior to the scheduled interviews was also regarded as an opportunity to build participants’ trust in the researcher. Trustworthiness was reinforced when the researcher’s

understanding of the substance of the first interview was shared at the start of the second interview.

- A potential lack of time (which could by implication contribute to incomplete data) was addressed by supplying participants with guidelines regarding research project completion dates; participants could select a time and date which best suited their work schedule.
- As participants were all on a senior level in each of the case study organisations, it took care of the risk of getting information from junior employees that could compromise the quality of the information shared. In all cases, participants were personally involved in the marketing strategy development process and could best articulate the market segmentation decisions process. This approach further warranted first-hand evidence of the data, as the researcher collected the data himself; he personally conducted the interviews with the decision makers (Yin, 2016).
- Interviewing selected senior participants from every case study organisation may have introduced an elitist bias. The research was focused on a specific unit of analysis (the market segmentation decision making process) and a broader context was therefore not regarded as adding value.
- By not participating actively in a conversation, but rather limiting himself to head-nodding, the researcher attempted to avoid what Myers (2013) called the Hawthorn effect - people modify their behaviour when they are observed. Non-verbal cues for respondents may have assisted in the participant feeling more in control of the interview (as opposed to the researcher). The research choices made introduced a complex and nuanced environment. By letting participants do most of the talking (with non-verbal encouragement from the researcher), an important desirable qualitative research practice of being a good listener was adhered to (Yin, 2016).
- The possibility of overcoming language barriers was considered: during the first contact meeting mentioned earlier participants could indicate if they would rather have the interview in Afrikaans, which was the first language of some participants. However, all participants preferred to be interviewed in English, which is considered the business vernacular; the marketing strategies were developed using English and therefore it would be easier to respond in this language.

4.8 Ethical considerations

This part of the discussion will be based on the University of South Africa (Unisa) policy on research ethics. Application for research ethical clearance from Unisa was granted before data collection commenced. The reference for the approval is 2018_CEMS_BM_070. This document stipulates the ethical conditions under which this research will be done. As such it is a binding contract between the researcher and the University and undertakings in the document should be adhered to. The risk assessment, divided into four categories ranging from negligible risk to high risk, places this research in Category 2 (low risk). The descriptor for this risk category states that human participants are directly involved in the research, but that the only foreseeable risk or harm is the potential for minor discomfort or inconvenience. This would not constitute a risk above the everyday norm and refers to discomfort in providing sufficient time for the planned interviews, thus the opportunity cost of taking participants away from their office duties for the duration of the interruption (Zikmund and Babin, 2013). Participants were given the option to stipulate a time and venue most suited to them. Another risk foreseen was the discussion that focused on aspects of marketing strategy. Participants were assured that the interest was not so much in the strategic decisions taken, but in the thinking processes that supported these decisions.

The key principles in research ethics seek to protect research participants on the one hand and protect the integrity of the research community on the other (Easterby-Smith *et al.*, 2018). These principles are summarised below.

Protection of research participants:

- No harm comes to any participant.
- Respect for the dignity of research participants.
- Ensuring informed consent of research participants.
- Protection of the privacy of research participants.
- Research data must be kept confidential.
- The anonymity of research participants should be protected.

Protection of the integrity of the research community:

- Avoid deception about the nature and objectives of the research.
- Declare any affiliation, funding or any other form of a conflict of interest.
- Be honest and transparent in communication of research.
- Avoid misleading or false reporting of research findings.
- Avoid plagiarism (Venter and Van Zyl, 2017).

In every research project, multiple ethical considerations could surface. Most important are guarantees for confidentiality and for preventing any form of harm to participants in a study. In the case of this research confidentiality was an important consideration for research participants and was mentioned by all participants before consenting to participate. The confidentiality of their conversations was of paramount importance – and it was ensured through the communication and signing of undertakings about protecting the information that was shared, as well as the names of organisations and individual participants from each organisation. Further to this, other role players in the project (the transcriber of the interviews) had to sign a confidentiality agreement with the researcher. The backbone of this agreement was provided by the Unisa research ethics office. All amendments to this document are scrutinised and accepted by the review committee.

The way that data will be stored, used, protected and disposed of was communicated to every participant. Data will only be stored and used in an electronic format. The undertaking is to store this information on a removable electronic memory device. Files and folders in which the transcriptions and related information are stored will further be password protected.

Lastly, before signing an informed consent communiqué participants were informed about their rights regarding participation and refusal to participate. A right of withdrawal without any consequences to a participant signalled ethical conduct from the researcher’s side. As emphasised by Easterby-Smith *et al*. (2018), it is often the researcher who is in the least powerful position in the case of research done in companies and therefore the researcher has to ensure ethical conduct at all times during the researcher/participant relationship.

4.9 Conclusion

This chapter presented the way in which this research was planned and executed. It first explained the researcher’s research philosophy and then addressed the research choices based on that and the research questions that emerged from the literature review. Exploring available research designs informed the eventual choice of a case study design as the most appropriate.

Sampling was discussed in the context of the applicability of a suitable sample to reflect the research delimitations. Care was taken to explain a data collection and analysis framework such that it addressed concerns about research quality in a qualitative research setting.

Chapter 5: Research findings

5.1 Introduction

In this chapter research findings are shared. The first part of the discussion will present findings related to research objectives. This will be followed by findings using articulated themes as a guideline. Findings related to research objectives shed light on the research questions posed in Chapter 3. The research questions in turn were formulated to answer the primary question about the practices applied when marketing practitioners take decisions about segmenting markets. The findings from the data analysis in this chapter are based on Clarke and Braun's (2013) practical aspects of thematic analysis on which Maguire and Delahunt (2017) relied to formulate their recommendations on a framework for qualitative data analysis. This framework is regarded as influential in the social research context, and provides clear guidelines for raising trustworthiness by analysing data according to a rigorous and methodological manner (Nowell *et al.*, 2017). Maguire and Delahunt (2017) caution against inconsistencies in applying thematic analysis, as this method of qualitative data analysis lacks the advantage of other qualitative data analysis methods such as grounded theory or ethnography, or extensive literature that explains and describes its application. Utmost care must be taken not to “drift” in analysing qualitative data using thematic analysis.

Maguire and Delahunt (2017) warn that thematic analysists should guard against merely summarising data. They suggest that analysis be shared on two levels of themes. These levels are described as first level semantic and second level latent themes. Semantic themes represent the themes from what participants said, while latent themes represent an understanding in which the semantic content is interpreted. Previous researchers also referred to levels of analysis (Vaismoradi, Turunen and Bondas, 2013) when they advised that the thematic analyst should consider using both manifest and latent content. Manifest content refers to the development of categories of data (a first level of qualitative data analysis), while latent content would include the development of themes from the first level analysis.

The framework provided by Maguire and Delahunt (2017) consists of six steps. While these steps are not necessarily linear, they can be distinguished as follows:

Step 1: Become acquainted with the entire body of qualitative data by reading and re-reading both the transcripts and the additional material shared with the researcher to support participants’ viewpoints. In the case of this research, the transcripts were read with the voice recordings of every interview to ensure that the transcripts were a fair representation of the recordings. As is often the case with qualitative data, the amount of data seemed overwhelming (Myers, 2013; Yin, 2016; Easterby-Smith *et al.*, 2018). A total of 107 A4 pages of transcribed data were available, representing just more than 334 minutes (5,6 hours) of interview recordings.

After having ensured that transcriptions were a fair representation of the interviews, the transcripts were first read several times to attempt to make sense of the thinking processes of participants in their responses to questions. Participants often deviated from the questions posed to them, using historical background to illustrate their answers. The researcher had to become sufficiently familiar with the information to distinguish between the core answers that addressed the question, and background that supported answers. Apart from this, participants often deviated from a question while sharing their experiences and the researcher had to coach participants back to responding to the question asked. Getting familiar with the data meant that the researcher had to categorise responses to correlate with the questions posed.

Step 2: Generate initial codes by organising data in a meaningful and systematic way. This was done by using the research objectives as initial codes. Research objectives correlated with the research questions that were formulated for this research. This is also regarded as the first level of thematic analysis. Initial codes capture something about the overall research question, using the research objectives as a guideline. In line with Maguire and Delahunt's (2017) recommendations, the coding used was not based on line-by-line coding, but rather on organising data into smaller parts of meaning.

Step 3: Search for themes. Using the guidelines provided by Maguire and Delahunt (2017), Nowell *et al.* (2017) and Clarke and Braun (2013), themes were constructed from the coded data. Themes are clearly articulated patterns that provide insights relevant to research questions. Themes will only make sense if they really support the data.

Step 4: Review themes.

Step 5: Define themes.

Step 6: Report or write up findings.

To assist the reader to understand the context of the findings and quotations from the data which support findings, a brief background is provided for each case study organisation. While no identifiable particulars are disclosed, as agreed during the research ethical application process, information should provide sufficient background to assist those who were not closely involved in recruiting, selecting, interviewing and analysing data from participants to appreciate the contexts of the findings.

One of the case study organisations is a specialist provider of business intelligence to business customers. Referred to as geospatial information, it is used for determining strategic direction by a variety of private and public enterprises. The organisation combines data from satellite and aerial images with data about building, geography and population dynamics to inform their customers on aspects of business such as:

- Projections of agricultural crop yields. This is achieved by integrating information about regional weather conditions, crop type per hectare and crop growth stage.
- Landscape characteristics, such as types of geography and distribution of natural resources, to assist decision makers in planning for environmental impact when economic developments are considered. This includes land use and resource implications for formal and informal residential development.
- Information about population characteristics that assist business planners to make more informed decisions about market segmentation, targeting and the resulting business sustainability. This service is widely used by business development specialists to provide more detail on aspects such as daytime and night-time population dispersion and characteristics. The information is applied to assist in decisions ranging from location of retail outlets to automated bank teller machines and other services that consumers need.
- Information that is used by telecommunication service providers for infrastructure planning.

While the organisation offers a specialist niche-type service, the market itself is quite concentrated. The organisation's strength lies in the ability to provide services of a national, regional and more detailed site-specific application. All their customers are from the business-to-business market environment.

The second case study organisation specialises in travel and related services, predominantly for the corporate market. It offers a full travel service - a booking and travel management service for all travel, accommodation, care hire and other travel related needs that business travellers may have. The services offered meet the requirements of businesses for detailed travel arrangements for corporate purposes, awards and incentives, conferences and specialist occasions related to the film, entertainment and related industries.

A full travel service includes planning, booking and managing the travel needs of individual customers in client companies. While competitors may provide mostly booking services for travel needs, the strength of the case study organisation lies in its ability to manage the travel experience of each customer throughout a specific trip. Based on the assumption that individual customers may experience flight delays and other inconveniences during a trip, 24/7 standby assistance is provided. The availability of assistance is extended by members of the management team to what is termed "blue chip" individual customers. Apart from the more obvious travel services for corporate customers, the case study organisation differentiates itself through the following:

- Reporting to customer organisations about the travel expenses for past periods. The reporting gives customers details about all travel expenses for each individual traveller from the customer organisation. This assists client companies to manage their travel budget more productively.
- Budget planning and cost management service. Each client company has its own individualised cost management schedule that is tailor made for the requirements of travellers in the customer organisation.
- Management of the travel policy of each customer through interpretation and implementation of individual customers' travel policies.
- Integration of the supply chain system with that of customer companies. This results in a seamless integration of travel services and administrative support systems for each individual customer. Should large customers require an on-site office, this will be provided.

The third participant is an organisation that offers specialist tracking services for customers in need of real-time monitoring of mobile assets, commonly known as machine-to-machine tracking. It keeps customers informed on the movements of their assets. Loss of value from factors ranging from fluctuations in fresh produce cargo temperature to stock and resource theft, idle time during transport and intelligent maintenance alerts on machinery and equipment, is contained through monitoring and proactive reporting. The service is popular among customers who must monitor the performance of equipment in remote environments – making the use of human monitoring unnecessary. Having realised that maritime operators need to track and locate maritime vessels and their cargo on a continuous basis, the company provides satellite and data services that meet this need. In environments where it is critical, as in mining, security and industries with mobile workers, real-time information is provided on staff movement.

With its head office in the United States of America, this company has offices in Canada, Europe, countries in the Asian region and South Africa. Its competitive strength lies in owning its own satellite technology; it can supply real time information for customers anywhere in the world. The service links satellite and cellular technologies that permit real-time communications in out-of-cellular, network congested, or weather induced interruptions.

It is important to note that all three participating companies have been in existence for twenty or more years. The importance of this is in their recounting of market segmentation practices from their experiences as start-up companies until today.

5.2 Confirming data quality

Originally the quality of qualitative findings was judged by relying on the researcher's interpretation and readers' acceptance of research (Thorne, 2000), but contemporary researchers are ensuring more rigorous quality in qualitative data analysis, as discussed in Chapter 4. Thorne (2000) dispelled historic claims from qualitative researchers that validity and reliability are not relevant to qualitative research. Thorne (2000) articulated a logical process that can be applied by researchers to convey how they link the data with their findings and thus raise the credibility and believability of their findings.

As a reminder, the criteria for testing the value of qualitative data are briefly mentioned:

- Ensure that data collected are credible.
- Collect data from dependable sources.
- Provide instances of a degree of similarity between the case participant experiences.
- Seek agreement from participants to share their lived experiences during data gathering.
- Ensure that the data are authentic.

Credibility of the data gathered was achieved by selecting trustworthy participants to share their experiences. It was crucial to select participants with first-hand experience of the market segmentation decisions taken in the case study organisations. All participants were actively involved in the process of marketing strategy decision making, which automatically included thought processes that led to decisions about market segmentation selection. Explaining the purpose of the research and the expectations from the researcher ensured that participants could be purposefully selected to participate.

The focus of the research was clarified. Participants had to share their experiences in a business-to-business marketing context. One case had customers in both the business-to-consumer and business-to-business environments. It also happened that the business-to-business marketing contexts differed. For instance, participating companies had business-to-business marketing relationships with customers, dealers (as part of a distribution arrangement) and other businesses with which they cooperated in terms of advertising agreements. It was made clear that the business-to-business marketing relationship that was interrogated reflected only that of a supplier (the participants) and their clients.

The reason for selecting more than one case study and more than one participant for each case study was to provide an opportunity for cross-case and in-case comparison of information. This helped confirm in-depth insights (in-case comparison) and similarities in decision making among participants from the different cases. The data analysis entailed looking at similarities in shared experiences across the research cases. Initial codes were selected based on the similarities that could be detected between the shared experiences of all participants – as opposed to reporting on a per-case basis. The splitting of interviews allowed the researcher to familiarise himself with the information shared during the first interview by a specific participant before the next interview. This approach had a two-pronged advantage. The researcher had an opportunity to go through the contents of the first interview and adjust the direction of questions formulated to gather information in the second interview. The second interview was also used to test the researcher's understanding of what had been shared by participants in the first interview. In all cases participants clarified the researcher's preliminary understanding of information shared during the first interview. As such, the choice of two interviews per case study and two participants from each case study assisted in confirming the information that was gathered overall.

Participants were prepared for their participation before data collection. As part of the Unisa ethical clearance application process, detailed information had to be supplied to prospective participants to allow them an opportunity to decline their participation. Information included the fact that the discussion would be electronically recorded and transcribed and that the transcription would be done by an un-associated third party. This was not only an important aspect of the ethical standards to be upheld by researchers, but it would also ensure that participants would not be surprised by an approach in which they essentially could share sensitive or even confidential information. The sharing of information had to take place in a situation of trust between the researcher and the participants.

Lastly, the authenticity of the information was warranted through the following steps:

- All recordings were tested against the transcribed data by the researcher. In instances where the transcriber could not properly hear the voices on the recording, the researcher played back the recording to clarify inaudible words and added that to the transcript.
- Where information was divulged regarding differences in communication with different market segments, the researcher revisited the communication shared by the different case study organisations to confirm that it correlated with reality.
- Examples of customer service excellence were not accepted on face value. For instance, participants had to furnish some proof for their service excellence claims. Participants gave examples of the development of specific services to supplement existing services that satisfied very specific needs of individual customers in market segments. For instance, one participant showed a full implementation project plan for one specific customer. The typical 10-phase plan covered all aspects of every step in the project. The attention to detail (signalling their customer service excellence credo) was revealed in the particulars

that were captured in more than 150 different activities. The documentation stipulated each function and everyone's role in the implementation plan. Apart from timelines and responsibilities that characterise good project implementation schedules, it was also obvious that there had been negotiations with other suppliers in the value stream to permit delivery of the service as required. (During interviews, this participant asserted that this made them stand out from competitors and secured their position as a provider of unmatched service excellence.)

5.3 First level thematic analysis: initial codes

In alignment with the data analysis process proposed by Vaismoradi *et al.* (2013) and Maguire and Delahunt (2017), a first level of analysis is shared, using the research objectives as the initial categories of analysis. Research objectives are used to order the first level of analysis, as they correspond with the research questions. Data analysis in both quantitative and qualitative research is done to find answers to the research questions posed. The findings are discussed per research objective.

The findings are mentioned when there is common ground amongst respondents from participating companies about a specific aspect. In cases where only one participant commented on an aspect, it is mentioned as such, but only towards the end of the discussion about findings that support the different research objectives.

Research Objective 1: To understand the process that marketing practitioners apply when executing market segmentation in practice. This research objective was formulated to address the main research question – How do marketing practitioners execute market segmentation in practice?

It was apparent that the participating organisations first selected market segments according to the products and services that they offered. They tended to describe the market segments intuitively, based on alignment with their products and services and which market segments these services could be sold to logically.

"Firstly, we have developed certain products and services on the web and reporting functions up to a stage and start testing them. We got feedback which leads us up to certain directions where it would be accepted quick, early uptakes and certain segments….."

"So we first identified our own strengths, then look at the landscape, then looked at our competition. And then we selected a strategy that, you know, we broadly termed, let's pick the fights we can win."

"In a broad sense, we have expertise in four domains. Agriculture, environment, telecoms and business intelligence. (These are the fields of expertise of the different partners in the business.) *So we looked at providing services specific to these segments, but at the same time looking at ways to fine-tune our products to suit specific needs in those markets."*

"The (Company) initially started as a service for automatic ship identification (ASI), and then yellow machinery, a very good partner of Caterpillar. But that then gave them the platform to start saying, but if we've got this, you know, where else can we sell it? And it slowly migrated. Their biggest next customer was the cold chain industry because of the always on requirement. Those were the guys that really used satellite and they really made a big investment in the cold chain side."

"Looking at the broad market, we then said which specific markets we can service best. So we can service oil and gas better than anyone else, so we position ourselves to become the service provider of choice."

"Primarily reason why we opened an agency is that we want to become a traditional travel agent looking after leisure. The whole idea to go into leisure market, able to sell a package to hotels, for Mauritius, etc."

"…you use your strengths to develop markets. And then you use the market segments to develop your strengths."

It also became apparent that refinement of current products and services and new needs emerging from current customers contributed to investigating new market segments.

"…..because we have to be constantly aware on how to fine-tune and package our offerings to make sure that we stay relevant."

"And I think, just to add to that is, is one of the points while you were talking that I wrote down as well. By combining data sets and repackaging it and giving specific industry reporting capabilities we are able to access new clients as well."

"Interesting then through our connections in leisure, comes the question - a person would say we work for a company, so why don't you pitch (the travel management service) *to them? That led to number two, and then we went more into the corporate market"* and a little later in the interview *"…growing a client base of small companies that had a need for travel and we serviced that need."*

"….with that kind of segmentation (approach) there also comes then the exposure to VIP travel (needs). It comes with very different needs and specifications. It comes where we have to move (film production) equipment, things that we are not normally okay to in the

normal travel industry but (needs) *specific to that market and market segment. That is something that we need to specialise in."*

"….but then you decided – again you target the top businesses and so on. You then use that capability with the names of the companies to say okay, we're going to go into the business market and things like that?"

"We have combined the current capabilities to develop new service, for which there is a big demand in the market. We combine detailed urban datasets with population data to provide business intelligence for people who have to make decisions about their own infrastructure development. Where to put automated teller machines, where to open new shops, etc? The need for business intelligence have more markets with more money."

"We realised that the need and requirement and uptake of what we can do would be much higher in the broader business intelligence environment. Many people have to take regular decisions of where to drive their business, where to market what product, and in which area. We have the information to package and help them on how to address that."

"We very quickly learned that if you want to sell airtime you need a modem of sorts. So we initially partnered but later on started building modems and getting into that sphere. Very quickly that migrated into a turnkey solution."

"For instance, we took technology that is used by all the big trailer guys (to track the movement of trailers) in North America and applied it on a fishing buoy in harbours in Africa. We built a whole new application to the technology and developed a whole new industry or market segment from it. Obviously we looked for the market viability."

To shed light on the above, the following is shared as additional information. These buoys are used in the marine industry to regulate ship/vessel movement in harbours. They are typically 6 metres tall and 3 metres in girth and anchored to stay in position. If these buoys get disconnected from their anchors, they can play havoc with marine traffic and may cause severe damage to any vessel that collides with them. Tracking the position of these buoys is thus regarded as an important facet of risk management in this industry.

"Because as part of our work sometimes you realise, but what I'm doing here, if I fine-tune it, it can benefit someone else. And then you start looking and see, but is there a market for that? And then you start looking for the clients, potential clients of that. So, it's almost like an iterative kind of approach where you all of a sudden realise, but if we combine this and that, we can offer something, or a specific product to a new set of clients or a market segment."

"…..and then in terms of business intelligence we are constantly looking at where's new opportunities in new market segments." (Business intelligence being one service in which the participating company developed a unique strength that is now used to better satisfy current customer needs and find new market segments to develop.)

New market segments were further developed out of economic necessity. As income opportunities in current market segments dwindled, companies were forced to start looking elsewhere for new opportunities but staying with their current products and services portfolio.

"In 1998/1999 we realised to get big large accounts, we had to go up to a tender process."

"We looked at many different market segments. We decided where there is the biggest need for our products and where the most money is."

"So I would say there is a horizontal and vertical segmentation. That is how we look at information."

"I think it was in 2001/2002 that we have signed a contract with them to become a seekers franchise to get exposure to bigger world." And *"We have learned everything from them".*

"We have never done inbound (travel arrangements). It is not our speciality at all but as I am seeing the requests coming in and I am saying you know what guys this is a market, diversify into that market because at the end of the day there is revenue to come in."

"…we realised 3 to 5 years ago that government is became less and less of a client because of budget cutting and reduced money availability. We decided to try to shift our focus to a more commercial environment and for that reasons we have adapted product where we are more accessible to more people. To be able to do reporting from our data instead providing people with maps, so in that case we can reach more people, decision makers, marketers, people who take decisions on budgets, instead of traditional spatial people we're providing information to."

"There are just so many provincial departments and so many national departments. Outside that there are many businesses. In telecoms and business intelligence, there is much more money in circulation and therefore more money for us. So that is where we shifted our focus."

"How do we map our expansion? Let's go back to what we understand about how our geographical spread works but then also understand our product. For instance on the cold chain side it is to see that to develop this market, we need to work with the people who

develops the cooling unit in the carrier. Our expansion plan will be to follow them into the continent. Piggyback on their success and lessons they learned."

"We will decline a market opportunity if the market is not economical."

"…if you see it is a very small market or there is a lot of other people (competitors)…..Obviously not worth spending time on that. Yes, it is in the end financial factor."

"…..we had to go to a wider audience so that we are not reliant on government projects and clients only, so we present our products at a wider audience….."

It also happened that new market segments were formed through acquiring other businesses that would provide access to opportunities in new markets.

"In 2001 we purchased XXX Travel, which was an agency (with offices) in Johannesburg and Cape Town. They did big concerts, and any big (theatre and movie) productions. I think if you look at Cape Town office. That got us involved in film and production travel and that is because the majority of the studios and everything being there." And to support their decision it was added "Johannesburg (office) – we wanted to shut it down. So (Director J) said I am living in Johannesburg and travelling to Pretoria, give it to me, I will look after it. She turned it into an empire. She has taken it huge. She has (Customer A), (Customer B;) really, big brands. She made it like the Cape Town (office) in size."

"And then from the cold chain side they realised but, you know, we're only doing the cold trailers. So, what about the rest of the trailers? What about incab? And then we followed the build, buy and partner philosophy. So, very strong in terms of key strategic acquisitions. So, each vertical we've identified that we needed to accelerate our presence in, we bought into."

"So we went out and either bought territory, so that's how (the company) grew Europe. That's how they grew Africa. So from a geographic perspective acquisitions that fits within the key focus verticals of (the company), and then vertical acquisitions to bolster the base."

Other motivations for segmenting the markets in the way they did, ranged from head office decisions to regional and product/service-based segments.

"If we look at market segmentation and where we're represented it comes from corporate. Do we want to be in Africa, or don't we want to be in Africa?"

My team has a product focus or a regional focus. Some of our products are available across the region. For instance the tracking of marine assets. There is a chap sitting in Cape Town *and he handles all marine business on the continent. He needs to understand what is inland and what is open seas and further what is tracking data and what is management data."*

"My team has a product focus or a regional focus….For instance we have regions such as Mpumalanga or the Limpopo province or KZN where I have people there that represent the brand across the region. My regional people would sell our broader portfolio to everybody else. …..If they spot a specialist opportunity, they would get the support of the product specialist to support with that sale."

"I think for us the Kwazulu-Natal (KZN) branch for example down in Maritzburg, there is the need from the Department of Land Affairs to say we want an in-house (office) in KZN."

From the information shared during interviews, it can be sensed that the participating organisations tend to initially select the market segments intuitively based on the core products and services that can be sold to these market segments. Once entrenched in the initial segments, they all indicated that refining products and services according to emerging market segment needs often led to new opportunities that manifested in the development of new markets. Another important consideration for the development of new markets (and by default market segments) was the need to grow out of an economically difficult situation.

Figure 5.1 summarises the thinking process behind the development of market segments.

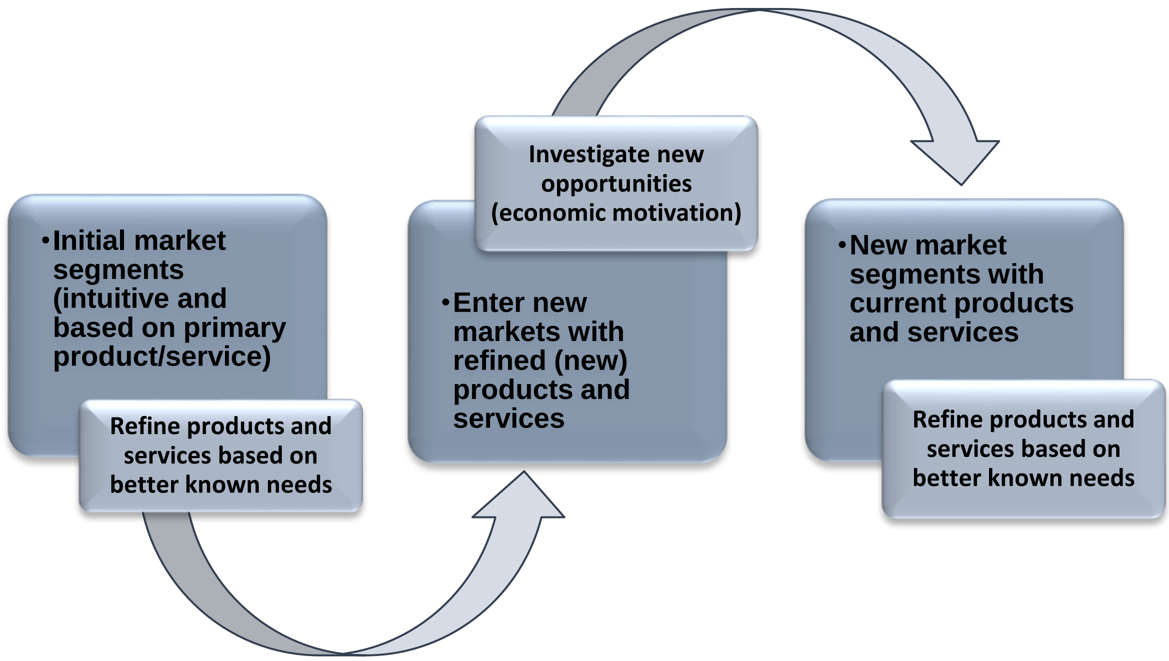

Figure 5.1: The main stimuli for market segmentation choices

Research objectives 2 and 3: A research question formulated to gain understanding of the use of current marketing theory that guides market segmentation decisions had two objectives. The first was to ascertain the value that market segmentation theory provides to practitioners, while the second was to establish what guidance marketing practitioners would like to get from market segmentation theory.

The first notable observation from responses was that practitioners rely on their business acumen more than on market segmentation theory to guide decisions on market segmentation. Probing participants for clues to the theoretical models used revealed that very few market segmentation theory frameworks came to mind. Working through the data, it was apparent that participants fell back on relating their practices when asked to describe a (theoretical) process that was used as guideline.

"I just refer back to the major 4 domains I mentioned earlier, the business intelligence and the telecoms are probably two of those four where there is where much more money is in circulation – so much more money available to us, there is where we shifted our focus."

"We work very disciplined, but I got a lot of references. I speak to lot of people, see a lot of ideas and then bring it together."

"We took that best practice approach, and then added sort of the local knowledge and lessons learnt, you know. So this is best practice, so how does it work in our world?"

"That is something that we have learned along the way. It is not a textbook thing. It was a trial and error thing, burn your fingers and making assumptions. The challenge with Africa is that it is very expensive lessons (all US$ based business)."

"We ask ourselves three short questions. Can we sell it, can we support it and is it sustainable? And if it does not tick all three the boxes, then we will decline the opportunity."

"Differences between cultures from one country is something that could not be learned from a textbook. The different cultures don't want to do business with each other."

"You know if we are going to West African Region, are we going for (one country) or (another country), we will go for (a specific country). If we get burnt, it is not so big. We have very hands-on approach to doing business."

"In terms of historic data on which we could base our analysis, we already had seventeen years of experience in understanding the market. So a lot of that (marketing strategy and market segmentation) was based on practical experience rather than sitting down with a textbook and say we have to follow the next ten guidelines."

“I personally has a very strong business analysis background. I spend a lot of time on history. What happened, what does the five-year average tells us? I also spend a lot of time researching the opportunities. Typically go to the target market region and have discussions with people on the ground. I get a better idea of the sentiments around the negatives and the optimism about new ideas. If you spend time with people, you get a good idea of the types of answers that people are looking for and the people who you should speak to.”

“Within market segments you selected specific customers which was a conscious choice.”

“I want to make sure that I will make money in that segment before I actually actively go for that segment. That is the one thing. The other thing is do I play my strengths?”

“One of the business lessons that we have learned is that if you wait for the opportunity to be perfect, you are going to be too late to the market. There is an aspect of risk.”

“In Africa it is very often a case where the experiences are based on almost tribal differences. Which is only understood through learning as we go along.”

“It was practical experience with a lot of guidance from the CEO. The CEO brought experience from the world of managing commodity markets in Africa. Using constant benchmarking of what works best, external influences on markets, what other role players say.”

“We took the guidance from the CEO and applied it to our world. Then we made it work for us. …..it was not a formal (theoretical) guideline, but we followed a very formal and structured approach……that’s something that we did exceptionally well, is to bring back the basics. So, we take best practice, take best practice in terms of sales and use all of that in terms of the market analysis.”

“Because we look at opportunities constantly, we find new markets for our products on an ongoing basis.”

“I think the time that we opened other offices shows that we used geographical segmentation.” (This was an operational decision about distribution channel management rather than a market segmentation decision. The decision to open an office was made to accommodate the need of the market to have a physical office to deal with.)

“You know what, I travel a lot. I pick and I see things that happens over there. I read quite a bit and I see the trends that is happening overseas. I always bring things back to my creative person so that she is always relevant and current. I am from a creative background.”

“The theory formed the foundation but in essence the reality compared to the theory are two total different things. But I think still today when we, specifically when we work on these tenders and things, that is where we go back to kind of to the theory part of things. Like the SWOT analysis.”

“It is thinking out of the box to add value. In the end it is about how it affects cash flow and profitability.”

“But then we put the practical aspects into that strategy. And I think that opened up their (management team members’) eyes and they could understand. They had a better idea of where we wanted to go and where the risks are, where the opportunities are and things like that.”

“I don’t think there is a theoretical guideline, but things we look at, for instance, in SA we realised three to five years ago that government is going to became less and less of a client because of budget cutting and reduced money available in government. We decided to try to shift our focus to a more commercial environment and for that reasons we have adapted our products where they are more accessible to more people.”

Another observation from the data analysis is that a marketing strategy is used as the broad guideline for creating an economic future.

“We regularly look at marketing strategy and how we have to approach that – because we realise we have a broad strategy, but with a constantly changing environment we are operating in, we have to adapt constantly.”

“It’s more intuitive and, and more informal, and the way we approach that. We have marketing meetings once a week where we discuss meetings for the week, meetings I must set up for the next week, what’s happened last week.”

“Managing the process on an EXCO level is where we will give feedback on our successes monthly, quarterly and yearly. One has to be flexible enough to make changes on the move, but small incremental changes. Giving an opportunity enough time to be properly tested, but not sticking to it in terms of the business plan in year one.”

“Every quarter we will have a quarterly business review (QBR). One of the outputs that we measure against the plan. Operationally did we meet the figures and strategically did it work? The we look at a bigger marketing campaign – bringing in the soft stuff as well. Looking at the reaction of the market to our digitally heavy marketing campaigns.”

One aspect that stood out was the application of key account management principles.

"…the moment the tender gets awarded; it's the moment that we actually make contact as directors and as key account management first with that client and we set up uh the first meeting within the first couple of days after that (tender) award takes place. The first thing is obviously to go through the service level agreements to add, you know, their certain key performance indicators (KPIs) and all that we built into those service level agreements."

"The most important thing is obviously to get all the information from the client. And then to understand that business from their perspective and to look at this and what their requirements are and where they had issues with the previous service provider and then it's to have those workshops and to build on those relationships, even before we start."

"But for me: when we start with an account, let's say we have tendered, we did our presentations and we get awarded the account, how does that relationship start? First of all, it starts on a higher level with the directors. We need to show the new client that there is an open communication. Not just to operational managers but right up to director's level and I also think it's very important that we build that kind of relationship with the client at that level. That they can pick up the phone and contact anyone of the directors and owners of the business at any given time. Once that is established, we actually – as (T) said - yes there is trust, we need to have open communication and we have to have regular communication. That is where with part of the key account management is also to make sure that we walk the floors, that we understand what the client expect of us, what their previous experiences are you know, and how we can make their lives easier. So that is also listening to the client, to understand what and how. I think for me the most important one is even though the account is running smoothly, is to pick up that phone or to do a site visit and just have that kind of relationship from top level."

"Key account management, I mean their daily job is to go out there, to make sure that - with regards to service level agreements - to make sure that they visit the client on a regular basis, that they have workshops to understand, you know, with regards to this is the new technology, this is how you can utilise the technology... All of those kind of things."

"Your key account managers, your debtors managers, your creditors managers – there need to be a physical interaction because once you have created that physical interaction you create that kind of trust element within that relationship, which is very important."

"The other thing is that we send the account managers to those executive members to sit in front of them and to go through the details with them. To explain to them the process as well. So that they, it's not just a supply chain that made the decision – by doing that we also get their input into this whole process that we are busy setting up an account."

"And what happens after a tender award: a lot of the times with the board meeting, like with the (Client) or one of those bigger State Owned Enterprises (SOEs) they actually invite us as directors to come and do a presentation of our business. Who we are, what we offer, things like that. So that they can also get an understanding of who and what we are and what we are about."

"…even if you lost a client or it's not a client anymore you will send them calendars... and the key accounts managers will still go and visit them and update them on what is happening within (the Company) and the new technologies and things like that."

"And you almost do it on an intuitive basis, it is not a very formal key account management situation, but you have your current clients, and you talk to them constantly, and you sell onto that and so on. And as you sell on, with each refinement almost of the need that you uncover again you grow your specific strength. And because you grow your specific strength, you also increase your ability to, to grow in the market."

"……so, myself, I speak to the agricultural clients, (Director M) to the natural resource and environmental clients, and (Director P) to the business intelligence clients."

"I'm very confident that over time we have very good relations with all the people that we provide information for."

Market segmentation theory prescribes that one of the most important applications of the concept is to discriminate between the marketing message and pricing for the different market segments. While there was evidence of differences in marketing communication, little evidence was found for market segment specific pricing used to the benefit of the participants.

"The material given to government and corporate is very different. Corporate stuff higher level, more formal."

"…..a general approach where we, in terms of say the website, we have different sections on the website." (For different market segments.)

"Every single client gets their own pricing schedule worked out." (There was no evidence of price differentiation between market segments.)

"Differences in pricing is caused by differences in utilisation of technology rather than differences in need. For instance more data requirements will automatically push up the total cost to the client company."

"So, one of the things you would have seen is five years ago (Company) had one website. Today (Company) has got one website with five regional websites. So, if you go onto the Africa website, you know, it says welcome to (Company) Africa. Pulls through the similar (Company) content - the messaging is the same. So, all of those things are standard, but it talks to Africa. When we drive social media, it's done from South Africa. If we drive PR it's done from Africa…"

"…you need to communicate to those sectors in a way that they connect with."

"Each of us speak to those clients (in the different market segments) specifically, and over time we build up relationships there because we understand the industry so well. But what's also important that we find, especially with the business intelligence and trying to get into new markets, it takes a lot more energy, effort and follow up meetings for the reason that we have to understand the language, their requirements, their needs."

"We realised that we have to move away from our technical speak and speak to the market in a way that they understand. We have now appointed a marketing person that help us to develop presentations to the different people (market segments). We are very aware of that we have to move away from our technical speak."

"Yes, let's say within business and the telecoms environment that pricing is more or less the same. In terms of agriculture and environmental or natural resources that is total different, because in agriculture and environmental projects we do more project-based work."

"I have simplified it (communication to the market segment) totally. So you have English one side and perfectly translated into Japanese on the other side."

"We will decline a market opportunity if the market is not economical."

From the information shared during interviews, it became evident that the market segmentation theory was not regarded as a guideline for formulating and implementing market segmentation strategy. Personal business acumen, cooperation between management members, a broad marketing strategy that guides marketing direction, changing market needs and changes in the business landscape generally guided market development initiatives. One important aspect stood out – all participating companies used key accounts management principles to stay in touch with selected individual customers, enhance their knowledge of customer needs, cement customer relationships and hone their own uniqueness to be able to differentiate themselves in competitive marketing situations.

Research objectives 4 and 5: these addressed the role of influencers in implementing the market segmentation strategy. Gaining insights into the way that these research objectives were met provided answers to the research question about the difficulty of applying market segmentation theory in a practical context.

An important observation was the sharing of information regarding market opportunities, changes and challenges inside the organisation.

"We have marketing meetings once a week where we talk about client meetings in the past week, meetings scheduled for the next week…."

"The way we do is, we have a lot of informal discussion and as it evolves and pick up things and start talking about it, and there is not always a specific turning point. We do not have these major 'bosberaad' approaches, but constantly talking about what's happening."

A "bosberaad" refers to a structured strategic planning session that is customarily held once a year. Such a strategic planning session will often include all senior and middle managers, could last for several days and mostly takes place away from the office environment to minimise operational disturbances.

We got in a new shareholder (Eric) who's got a degree in marketing and economics. And so, he's at the moment, he's facilitating those discussions. And we were quite happy for him to join us because we've known him for a long time. And he really gets excited about that, that type of opportunities and the discussions. He is not cluttered with the technical speak as we are."

"We are all go-getters. (Different skills from each different individual and these skills complement each other.) With us if a decision has to be made, the four of us can sit down and make it happen now. Very important."

"Strategically we sit down as team where we will be looking at history. Then decide in next 5 years can we grow 5 times. Then came up with a strategy – if we sell what we sell what will we have to do to grow? Maybe we have to get into other market segments."

"We are quarterly measured – performance against plan – operationally did we meet the figures and strategically does it work, and then we look at the bigger marketing campaign, then we bring in the soft stuff. It is easy to measure sales – do well to measure marketing (campaign) successes."

"Classic example we are four people doing everything, pulled ourselves out of the trenches. We have thirty managers. Have meetings with them every Monday, Wednesday and Friday. This room is packed by team members. They all know that they have to be here. We have a Manco (management committee meeting) once a week, I know what is going on with any clients any given moment."

It was also evident that specialist suppliers were used for some work. However, responsibility for strategic decisions - such as market segmentation - was never abdicated to service providers but stayed within the management team.

"We also work with a company called Brand Builders, um, who has been doing our branding, logo design, and newsletter layouts for probably the last five, six years."

"The agency understands marketing, but it is our responsibility to let them fully understand the logic behind how market segmentation works."

"One of the things fundamentally change – to bring responsibility of ownership back into the building. What website looks like – make sure about message – what we do is our responsibility – how we do it is their responsibility."

Apart from the few mentions of external role players that could influence the market segmentation development and implementation, the management task was not overly complicated with inputs from too many contributors. One participant acknowledged the key role played by customers' personal assistants in smoothing over complicated customer service issues.

"Probably the most important relationship that you will ever have to build within any organisation is the PAs or the assistants. If something goes wrong, you need to have that kind of (relationship) …and actually yourself and that PA will help to resolve that before it gets to the end user and that is important."

The value of following a segmented market approach was emphasised in terms of the benefits to the organisations themselves. One of the research questions that was formulated sought to identify the perceived benefits for organisations of market segmentation. **Research objective 6** was to establish the benefits as seen by practitioners. As there were similarities between responses to research objective 6 and **research objective 8**, the findings are discussed under this code. Research objective 8 was to establish the most important reasons why marketers used market segmentation as part of their marketing strategy.

By gaining more knowledge about market segment needs, participating case study organisations refined their products and services to address market needs better. In doing so, they inevitably created a competitive strength.

"*The broad strategy is to service those markets with specific products - but more short term we look at those industries and specific clients we talk to them and provide information and adapt and fine-tune these services."*

"So we also are uhm, how can I say. Government and corporate are reliant on us to manage the behaviour of the individual traveller. That is one of our main jobs. It is to identify where the behaviour is not according to travel policy business processes and we need to flag that through to the corporate client." The need of client organisations to manage their travel budgets according to policy, within budget and still providing individual travel customer satisfaction.

"In the South African market, our biggest competitors – well there is one or two of them... it's that the products are developed in South Africa, they are adapted to the South African market."

"That is why each of us speak to those clients specifically, and over time we build up relationships there, and because we understand the industry as well."

"The retail needs a very refined product, so in the meantime we are still refining our products for that."

"We had to refine our offering to (the segment) to provide information about smaller areas where there are denser urban areas. They became more and more interested in our demographic products which describe how many people of which race, culture and income group live in certain areas. That gave them information about the financial feasibility of putting up a tower or antenna in a certain position. Our guys could upload coordinates where they (clients) want to place towers or antennas. They can set a potential radius where they know they can provide services and for that radius, that circle, they can extract information from our database and have a report on demographic breakdown of people living in that area and work population, daytime and night-time and a full range of income information which makes the answers whether it is feasible to put tower in certain place easier. It gives them immediate feedback. Look and maybe shift it about 500m in one or the other direction. So going from the traditional GSM to the 4G environment where the reach is shorter and more sensitive to disturbances, it is important for (telecommunications clients) to make sure where they put up these things. They get a certain amount of traffic in terms of calls and data related to a certain number of people living in that area. So that is how we adapted."

"And the marine guy has a very different need and requirement. He talks a different language."

"Across all spectrums, people involved in marketing will also require information. In that sense we have developed our interface and reporting structure in such a way that it provides fairly generic information that makes sense to many people. For instance in marketing and related functions in businesses."

"The other thing that we very quickly found out is as much as we sell one technology, the customers like the transportation sector is very different from the yellow machinery sector."

"In a country such as Malawi, we need to be sensitive towards differences in the cultures in the different regions. They don't want to do business with each other." (Gaining this knowledge about the geographic market segment made the company gain a competitive strength in the region based on how to acknowledge and deal with these differences.)

"All the transportation guys think that they can do cold chain. Look at South Africa, the person who develops the cold chain part of it is not interested in the (brand name of) truck. He is a cold chain specialist – over the years we have learned that while they should know about each other's industries, they don't."

"We're one of five service providers on the globe that integrates with the microcontroller of that unit. So, we do proper (integrated) cold chain management and not just temperature monitoring."

"Getting (Client) over, there was a lesson to learn how to deal with government. No one wants (Government Client) account, we could not understand why. It is because they were such bad payers. We started and made sure to get the payment system right, because that was what everyone was complaining about because they were bad payers. We did not have hundreds of clients, we only have one, and we managed to understand what we did wrong. They will always be bad payers, but they taught us how to do the job."

By working very closely with a client company for some time "We learned everything we could from them."

"We were not at that level where we could offer them our local online booking tool. And that is where we went back to the drawing board, we actually developed them that, we came back into the market and we showed them what we developed with added advantages."

"If you look at (competitor). They have tried to go to corporate (clients), but they do not understand that the corporate market is so much more demanding than the leisure market."

"So that is something very different and you can only get invited if you have got a certain reputation within that corporate segment. That is why we had to start small. We tried our luck with smaller corporates. But the thing is, what we have seen with the corporate market is if you are doing an account, if you are servicing an account very good, people talk within the corporate environment and that is where it opens the doors where you get invited. So people are quite surprised when we go in and we say okay, we do government yes, but these are

our corporate clients and when they hear (the big corporate client names) they say 'But oh, we didn't know that you were handling these kind of blue chip clients' and we said 'Yes'. On the corporate side it's more a word of mouth kind of thing."

"Ja, but I also think it's part and parcel that certain business processes were put into place. You know, to realign the business to be able to do the corporate side. Cape Town was pretty much well established and Johannesburg was seen just as an extension hub for them. But the majority of the business was handled through the Cape Town office and through realigning the Johannesburg office to look at corporate business. To look at business processes in dealing with that corporate business, also starting small, looking at smaller corporates first and getting them on board. And by doing that, the business grew."

"We see exactly what the market wants; we adapt our business processes accordingly. And also the lessons that we have learnt here; we could apply those practices in Johannesburg office."

"We change our website, they do the same, we change technology, they do the same. That is the competition. You are studying, you know the theory side, but the reality is - you tell your students - you can copy as much that you want in life, to copy is one thing, but the other thing is to make it happen. Everything."

"I always say: If you can master the government game, you can easily adapt to the corporate market because government is more stringent."

"Well the interesting thing with (Client) is they thought that they could do it themselves. They took our staff over. They kept our staff. And that whole model actually crashed. Having said that: because (Client) is one of those examples where it's a company that should stick to their core business. They are not a travel management company. But what they didn't realise is that the front end of the business is really easy. Everyone can book a ticket, everyone can book accommodation. It is the administration and the accounting capabilities on the backend. Managing the service level agreements, managing a relationship with those different suppliers, doing payments – because now you need to remember that the (Client) has to pay every single supplier separately, where in our business it is consolidated. And it is electronic and automated."

"I think our strategy is to adapt our systems and to develop systems in such a way that the client becomes dependent on us. So the moment that they move to another service provider, they actually realise: 'But hold on... these guys did this, this and that...' So we develop systems to retain those clients."

"Other (lost) clients is where we had for instance the tender for three contract period, meaning that we have won that tender three times in a row for three years, so we have been sitting with that client for nine years... so it's also good for them to rotate the business." (It is also a legal requirement.)

"It has never happened that our contract was cancelled before the time."

"In the last couple of years where they (lost clients) have appointed another travel management company and that company couldn't handle them and all of a sudden we got all of that business back. Our thing is that we never burn our bridges, even if you move away."

The second observation regarding benefits from market segmentation was the ability to <u>grow</u> the business by refining their products and services to suit market segment needs better. Gaining knowledge about market segment needs resulted in a response to those needs that became a source of growth in current segments or in other markets.

"I think it is important when you look at different segments of the market to understand where there are opportunities. Our strategy is to get clients to sign up to our web interfaces and reporting mechanisms on an annual basis and what we are trying to do is to build long term sustainability. Once somebody starts using our services, they pay what we call a subscription for that year, but hopefully again next year and maybe they get so used to it and find it so valuable that they come back next year."

"So that's an opportunity. But then you have to understand which one is the best one for you to start with and to serve. Ah, so that's in the one way. In the other way is when we develop products and we see opportunities, ah, to combine some of our information sets to provide a new product, and you have to understand the different market segments to know where you can offer this."

"We have the building blocks of the thinking processes. From there we use a Lego approach. We have the technologies and the thinking processes – move that to other applications." (New products/services or new markets.)

"…and because we already know how to by learning, it went better. Then we got (Client) in-house – and it went better, (another Client) and it went better. Our hit rate doing tenders became much better. Because we know how to hand in proper documents."

"It is working so well in South Africa, let us get partners in Kenia, Tanzania, Uganda. I got the partners and we now operate from that."

"We have a product that is too pricey for the South African market. But that does not mean that it is also a problem in other regions. So I can take this product and say where the other opportunities in Kenya or Ghana (geographically different market segments) are and create the scale for (Company)."

"We had to change, to expand into conferencing (travel management). Each (business customer) had a conferencing division. I did not do a lot of marketing; we had a flyer with faces on. People would come straight into conferencing (travel management). Then moved into events, into incentives. We had a client, who runs a competition for how much their employees sell and the winner can go somewhere worldwide. Client had need and need was can do incentive (travel management). And now they are clients for five years. Once again learning how to drive it properly." (From satisfying this need, the participant company could approach current clients with a new incentive travel management service, as well as develop new markets.)

"It is a new innovation that we are bringing in. It is a new innovation, but new pricing as well. If the power is in the hands of the client my consultants have very little to do. They only have to do quality control. (The client company) is very difficult. Always complaining about rands and cents. They have now gone onto the new technology……we had meetings to make sure that it works for them and the last meeting they said it is working fine, they don't want to meet again."

"…..this adaptation to the technology helped you to grow a specific strength that helped you to then advance into more markets and so on?" "Correct."

"….that you are in a position where you can adapt very quickly to changes and needs and also specific needs in that market. And that is how you grow your income."

"We take product and look where there is regional opportunities. If there is we then create opportunity and increase in revenue. It also delivers global growth."

"We would tell the market we have buoy monitoring, not saying which technology is used. The market reacts to it. Then a bit of trial and error – we build the message and before you know it you have created a need which people had but they did not bring the technology together with the need. They don't know technology but they know what they want."

"……problem with Department of Agriculture who has to track everybody with a fishing licence. They were all looking at devices, while we looked at technology. Now we are one of three international acclaimed service providers to DAF worldwide– just because somebody from a thought process have the building blocks to create solutions."

"We have an engineering machine (the international head office) generating new products. Our role in Africa is to see where we can find that application, where this will fit."

"….and then understanding your customer, customer requirement and how we manage, maintain and grow that customer."

"The first four years pitching and then slowly growing a client base of small companies that had a need for travel and we serviced that need."

"There are a lot of spinoffs (from corporate travel management), incentive travelling is big, and conference (travel management) is a huge market. We are trying to put more energy into them now."

"….then we are always looking in terms of our current offerings to expand it further, either by adding more information to make it more useful or more valuable to clients. Or to adding more product lines, if I can call it that. So in agriculture we are constantly looking to add more data sets, how you can analyse what's happening in a specific field." (Refining the product created the platform to sell more to existing clients, while new market segments could also be approached.)

"……more people needed to open up a conference division. This rocketed, expanding into different directions, due to clients' needs."

"We have won most of the tenders in the industry. Compared to us (with more than 60 tenders allocated in the past year), competitors get two here, three there. They hate us."

"….. we prepared basic data sets and fine-tuned it for each one (individual customer)."

"…..we are always looking in terms of our current offerings to expand it further, either by adding more information to make it more useful or more valuable to clients."

Specific market segment selection and targeting provided the participating organisations with much needed boundaries regarding their own business focus.

"First makes sure what we do, what differentiate us from the rest? We are providing a service in the business-to-business market space and not convolute it with the business-to-consumer or what the consumer guys do."

"Otherwise you're going to be too broad, and you might waste time and effort and energy if your market or approach is too wide an audience."

“If I want to organise someone to go to Mauritius I have packages already and I can do it. But number one it obscures things. My market will ask the question: Are you a holiday agency or a corporate (travel management) agency?”

“…..we are trying to develop our web interfaces to make it accessible to a wide range of people, but still focusing on business to business…..”

“The organisational structure and the website reflects different market segments. Corporate travel, film production travel, awards and incentive travel, conferencing and leisure travel. The latter has a link to a separate booking website dedicated to (consumer) leisure travel needs.”

“Products and services reflects market needs from different market segments. What started as a sales-based approach based on the product/services initially available to the market, evolved in combining data from different datasets to suit market requirements. In the process, market segment needs were satisfied by specialist staff members who focus on refining products and services based on more intimate knowledge of market segment needs.

“Because we do business-to-business it is digitally heavy. Tracking click to Google activity. Understanding the market as to the marketing campaigns is equally important.”

Interviewer: *“…..why did you decide to segment the market in the first place, why did you not just go for the golden apple?”* Reply: *“I think it is difficult to go find the golden apple if you do not know where to look for it.”*

“…..we do get people from time to time that contact us that maybe hear from other people what we do, but if we cannot really assist them, we’ll just say to them we cannot.”

“….you have to understand the different market segments to know where you can offer this (products and services).”

The brand building that came with expanding the business assisted in creating an identity which supported growth.

“We bought the Cape Town office and rebranded it with (Own Brand Name). People will see (our Brand Name) and say we want to do business with you.”

“We have been through a tender season now again. I would say that we would like to expand more into corporate market. What we are finding is that in the past we had to go knocking on doors; they now actually knock on ours.”

“Seeing that you have (Client) as your client, more and more people needed to open up a conference division. This rocketed, expanding into different directions, due to clients’ needs.”

“We get quite a number of individual companies that heard about us who want something specific for them.”

“…..we are looking to expand more into Africa. The same market segments, just new geographical regions.”

“….the customers think they always need to go with the big brands, for example Rennies Travel, American Express. Somehow these brand gives them security, safety and trust. That is their perception. However with us having the Woollies, Sanlam, Santam, Engen (as client accounts), that is my references. Having them for a couple of years and now going knocking on the door at a Momentum Health, Outsurance and Volvo, they are all ready to see us.”

The one clear benefit of selecting specific market segments, was the opportunity it provided for making more money.

“We will look at the market, look at the opportunities. If there is money, we will deal with that.”

“I want to make sure that I will make money in that segment before I actually actively go for that segment. That is the one thing. The other thing is do I play my strengths?”

“We are still in the business after nineteen years.”

“…..objective is to either replicate it here or if we can’t - to find a new application and make it scalable.”

“…..part of the market segmentation and differentiation is to look at price – that is really down to nitty gritty – how to make that product successful.”

“We will decline a market opportunity if the market is not economical.”

“…..diversify into that market because at the end of the day there is revenue to come in.”

Research objective 7: This objective required participants to share which changes or adjustments they had to make to implement market segmentation decisions successfully.

It was found that most adjustments were made around appointing, orienting and training staff. Another ongoing adjustment was to accommodate newer technologies and using those to stay ahead in delivering a differentiated product/service. The latter was more out of necessity as an adjustment to accommodate the implementation of market segmentation decisions.

“Fifteen years ago we appointed people who were qualified in the earth sciences. Today we employ people who have knowledge of data analysis and who has the ability to integrate web interfaces.”

“We’ve realised that in the IT environment with technology and cloud processing and the internet where we’re operating, things change and develop so quickly that within six months we are constantly looking at that and re-evaluating. And three years is a very, very long time in our environment.”

“By adapting to new market segments I very quickly learned that my team is fundamentally a transportation team. I did two things. On the growth side I made sure that we grew into that new segments and recruit from within the company and we completely transformed the team to a focused sales effort, an engineering support and after sales support team.” And a little later: *“Right throughout the business we had to make this transformation. As much as we had to sell this up the line, we had to sell it internally.”* And later still: *“If we don’t include the rest of the company, train them, they are left behind.”*

We do not have a presence with a self-booking online tool. We are busy with (developing) our own online booking tool called (Product name) by (Company name). Principle is the same (as an online booking tool), but it is set-up for company that manages travel tool and integrating into SAP.”

Apart from using the research objectives as initial codes for the first level thematic analysis, other codes included aspects of customer and general management.

“…..we are constantly talking about changes and needs around us. The discussions are informal and an ongoing process, but once an idea looks good, it will be formalised.”

“Our focus now is on speaking the language that our market segments understand – not our technical knowledge type of speak. We even appointed a person with a marketing background and qualification to help us with presentations.”

“As technology improved many other people become capacitated to be able to do the same thing as us. Maybe not at the scale that we do it, or in all the domains that we’ve mentioned, but it becomes easier for people to generate similar data sets that we have. And we’ve realised that we have to stay ahead and be able to offer something different.”

“Managing the process on an EXCO level is where we will give feedback on our successes monthly, quarterly and yearly. One has to be flexible enough to make changes on the move,

but small incremental changes. Giving an opportunity enough time to be properly tested, but not sticking to it in terms of the business plan in year one."

"Every quarter we will have a quarterly business review (QBR). One of the outputs that we measure against the plan. Operationally did we meet the figures and strategically did it work? Then we look at a bigger marketing campaign – bringing in the soft stuff as well. Looking at the reaction of the market to our digitally heavy marketing campaigns."

"One of the things that we have fundamentally changed in the past five years is to bring the responsibility back. What our website looks like creatively is the agency's responsibility. The content thereof is my responsibility."

"One of the biggest advantages that we've got as a nation is that we essentially think outside the box. In Europe and North America, people are very process driven. This is the product, this is what it is used for. No one would one day sit with the unit and think what else can we do with that. That is where the process starts here. What (else) can we do with this product? Where can we sustainably sell and support this technology? We would include a whole lot of engineering and sales to (find new applications). We test the need for the technology that people did not know exist."

"How do we drive sales, but how can we be more innovative around it? It is a culture."

"By adapting these technologies, we soon realised that we are in the cold chain industry and not the transport industry."

"We are essentially a research and technology organisation. So I make sure that I know where we are at with technology and we are going with technology."

"Decisions are constantly reviewed based on real time feedback. There are things that we analyse on a monthly basis and small adjustments or optimisations is done on a quarterly basis to make sure that the focus stays right."

"…..the focus and the vision is to be able to do it anywhere in South Africa, whether it's in Gauteng or whether it's in deep rural Limpopo - you can extract the same types of reports and information."

"People are saying that in future we will be going robotic; we will not need people. In my industry (travel management), it will never happen. I will always be reliant on somebody. The people who can sort out travellers' chaos (because it will happen) will add value. That I know - they need it, and we can make it happen."

But when we look at, as (Director) mentioned, with regards to social media: a lot of our technology advancements are going into social media. And specifically where they also say that apps is something of the past... It's all working on the WhatsApp, your chat functionality – to build your business processes within one platform. Where you can actually sell and use that as a distribution channel, and communicate and to give information. So that is coming. We are busy with those bots and all of that. So that is very interesting - I think we are moving more from a travel company into a technology company."

"…and the other thing is that our staff retention is at 93%. Meaning that our staff don't leave the company because they have got 10% invested in this business as well. So it's not just our business, it's their business as well." And later: *"For the customer is that they know, I'm going to keep working with the same name where people don't rotate... If you have worked with us ten years ago, the chances are very good - and you liked this consultant - that same consultant will be here looking after you again and that relationship is already there."*

"We all (competitors) might have something that is similar but remember, every single company has got their own business model and processes and all of that but yes, we are offering the same thing. But it is about the attitude, it's about the energy, it's about the passion, it's about that. We stand up there and we are selling this business out of our hearts. And you might have a competitor that stands there just telling you a story but you cannot see the passion behind that brand because they are just working for that brand. So I think one of the biggest differentiations are you will not see one of these – the (Competitors) - you will not see the MD or the CEO of that business standing in front, addressing these people or going to workshops or going to tender presentations, where we do. It's one of our key core tasks."

5.4 Second level thematic analysis: identifying themes

A theme is regarded as a pattern in the data that captures something significant or interesting about the data or the research question (Maguire and Delahunt, 2017). A theme is characterised by its significance and it represents something of importance about the overall research question (Braun and Clarke, 2006). As such, themes unify the nature of the experience into meaningful nodules (Nowell *et al.*, 2017). Note that themes need not directly relate to the questions asked during interviews. They should, however, relate to the overall research question. The primary research question for this research was "How do marketing practitioners execute market segmentation in practice?" While the research question was formulated from a literature review, the themes will be formulated inductively, thus from the raw data.

Since the primary question was intended to shed light on the thinking processes applied by participating organisations in deciding on market segments, it will make sense to focus on the significant events that influenced these decisions.

The first important theme that was identified has to do with the economic survival of the participating companies. Marketing, a marketing strategy and the market segmentation associated with a marketing strategy would not add value to the management tasks of the management teams of any of these organisations if they did not provide a conduit to economic success.

Under the theme called **"Economic Survival"**, the codes that best describe this theme are as follows:

- Be constantly aware of possible new opportunities, even outside currently demarcated market segments. This increased organisations' chances of economic survival.
- Can adapt to new opportunities. This added to the sense of economic advancement for the organisations.
- Be prepared to take calculated risks.
- Swiftly deal with market segments or customers in a market segment who have become a financial drain on the company, through either termination of the association or other measures, to ensure financial viability of the relationship. In this regard, constant updating, analysis, discussion and sharing of financial performance was a strong driver of decisions about the direction that should be adopted for ongoing financial viability.
- Constantly focus on becoming more efficient and cost effective. This was regarded as an entrepreneurial necessity rather than a strength.
- Can provide a standard product and service to many segments (with a few adjustments according to specific market segment requirements).
- Stay relevant to the market segments and their needs.
- Keep up with changes in technology (and introduce them to customer companies).
- Share information inside the organisation.
- Employ the right profile staff - staff that will be able to contribute to the objectives of the organisation.
- Empower employees through training, communication, formal meetings and informal discussions on a one-on-one basis.
- Use business networks to appoint the right staff and to find new customers. This ties in with the drive to stay efficient and cost-effective.
- Differentiate yourself from competitors. The service provided to customers (efficiency), rather than being cost effective, was difficult to copy by competitors.

- Provide customers with solutions that make them (customers) financially more successful or reduce their risks.
- Stay moral in dealings with customers/market segments.
- Have the management (team) personally involved in dealing with customers.
- Ensure that communication to market segments is in a language and context which a specific segment associates with.
- Give real time feedback on the status of sales, changes in sales and changes in profitability.
- Maintain good relationships on different levels in both organisations (supplier and customer).

The codes associated with these themes provided clues to the "How" and "What" questions. How did these participants stay in business and what did they do to survive in a competitive environment?

A second theme that was identified can be described as the market segmentation decisions that were taken. Linking with the overall theme of economic survival, the codes to this theme provided answers to questions like why specific market segments were selected and when it was deemed necessary to select specific market segments.

The theme **"Making market segment choices"** is associated with the following codes:

- The initial market segment selection was based on markets that would have a demand/need for the products and services provided. It was often a product/service sales approach that was followed.
- Markets comprised those that could naturally be matched with the products and services provided and where a head office guided the market product/service and market segment pairing.
- In all cases, as the relationship between the supplier and their customers became more stable, customers started to request more services.
- Often current customers would request different services. Developing and satisfying these needs often provided an opportunity to develop new markets.
- An important contributor to developing new market segments was born from the organisations' need to expand and grow economically.
- Coupled with this need was the fact that sometimes current market segments started to spend less money on products and services and new markets had to be found for current products and services.

- Often the decision to develop new business opportunities had to do with competitor activity that necessitated adaptation.
- Changes in technology afforded opportunities for organisations to develop new products and services. This also created new market opportunities.
- Specific new segments held monetary potential.
- Skills/products/services were sold. The opportunity to sell current and newly developed strengths to new market segments was also evident.
- These organisations had the ability to use strengths to develop the segment and keep competitors out.

A third theme that was regarded as having an important impact on the research question dealt with ensuring market segment viability. Termed **"Ensuring market segment significance"**, this theme is associated with the following codes:

- The reason why a specific market segment was selected had to do with the opportunity to make money from it. This was the primary driver to test market segment significance. (Other factors, such as competitor intensity, were less prominent.)
- Formal market research was done to a lesser extent to verify market potential. Market segment significance was tested through discussions amongst management and staff, relying on information shared by network members and on market investigation conducted by talking to potential clients.
- Targeting industries that were regarded as being in a growth phase and where money could be made by selling a products/services.
- Ability to apply unique strengths to develop the capacity of the market.
- Ease to operate in the segment. For instance, the tendering process can become a strength, or it can be a threat if capacity does not exist. This code was close to the previous one about applying unique strengths in a segment.
- More customers from target market segments.
- Market size used as the most important information. The market size was often a calculated risk rather than based on formal market research to confirm potential figures.
- Ability to use strengths to develop the segment and keep competitors out.

The theme and associated codes provided insights about how market segment significance was gauged.

Why segment the market? The next theme, the **importance of market segmentation** in the perception of participants, could be supported through the following codes. The theme is termed **“Why market segmentation matters”.**

- The selection and targeting of specific segments fitted in with products and services that were provided to the market. (This seems logical, but it needs to be seen as part of the next code.)
- The organisations had a natural strength in the market segments that were selected.
- Market segmentation provided much needed focus. Trying to make money and grow all the time can easily result in diverting from market segments to pursue a chance opportunity. Regular discussions amongst managers was one way to check whether a single opportunity might indeed signify a new need (and therefore a new segment), and whether this opportunity should be pursued.
- Being able to take decisions on the best segments to target.
- Market segmentation identified the individual customers in a market segment that should be developed as part of a key accounts management initiative.

What did participating organisations do to keep customers? While (unsolicited) emphasis was placed on gaining new customers or new markets, another theme that had a big impact on the market segmentation story was the effort that was put into “**Keeping customers”.** The following codes support this theme:

- Changes in technology play a prominent role in servicing existing customers. Just staying abreast with technology was regarded as a challenge to stay relevant, but not doing so could quickly result in poor financial performance through lost customers.
- Introducing new technology to customers to stay ahead of competitors, but also to empower customers and make it easier to provide a service that was partly shaped by customer actions – as long as systems worked well from the customers’ perspective.
- Adjusting service demands to meet very specific needs of individual customers in segments.
- Making customers “dependent” on services provided. Shared practices showed that dependency was not only based on technology, but also on the service itself from staff on all levels of the organisation.
- Being personally available (as managers) to solve customer complaints when required.
- Developing a strong key account relationship on all levels in the business.
- Constantly adjusting products and services to suit customer needs.
- Getting the right staff and training (empowering) staff.

A last theme that emerged as data were analysed, is the **learning curve** that all participants went through in dealing with markets, customer service, cost management and other factors related to market segmentation. The codes associated with this are the following:

- Realising that more market segments and customers could use the same product or service – with adjustments to suit specific market segment requirements.
- Understanding that current technologies can be adopted to suit the needs in new market segments and can be used as a competitive strength.
- The same product/service/technology can be used differently by different market segments to satisfy the specific needs of the segment.
- Association with top companies in any market segment attracts the attention of all customers in the segment. Build a good reputation among the top few customers in a market segment and the rest of the customers in a segment may follow.
- Documentation for tendering must be 100% correct and handed in on time. That alone could be a competitive advantage.
- Seeking constant feedback from the market and timeously addressing customer complaints have a very positive effect on the markets' perception of the value for money offered.
- Engaging with customers in the market generates a continuous stream of ideas about customer needs and problems.
- Effectively solving customer complaints reduces customers' risk. It is a very positive attribute – being sincere about customer complaints.
- Unfortunately, there is still a lesson that participants can learn regarding the difference between product/service pricing and setting a price that reflects value for money. The focus is thus on reducing price, rather than selling value for money solutions.
- While low prices were always important to customers, aspects not related to the product and service - such as ethical business practices - contributed to market support.

The codes that supported this theme contributed to understanding what can be done to exploit a market segment and how to do it ethically. This is an important lesson in dealing with future situations that could be similar in context.

In summary the initial themes that emerged from the second level thematic analysis can be summarised as the following:

- Economic survival.
- Making segment choices.
- Ensuring market segmentation significance.

- Why market segmentation matters.
- Keeping customers.
- The learning curve.

While there is no hard and fast rule about the number of themes that could be extracted from the initial codes, Bree and Gallagher (2016) and Maguire and Delahunt (2017) suggest that the next logical step in the analysis would be to review the initial themes for clarity on the overall research question.

5.5 Second level thematic analysis: reviewing themes

Themes are reviewed to confirm them, but also to test their coherence in terms of how convincingly and compellingly they relate to the overall story of the research (Clarke and Braun, 2013). In developing themes, the stories of participants from the case study organisations are told (Myers, 2013). Interpreting the data to really make sense of what the participants' stories have in common, moves the data analysis from reassembling the stories to a format that bestows meaning (Yin, 2016). The data does not speak for itself, therefore interpretation forms an important part of the overall analysis process. In reviewing themes, it was important to revisit the overall research question and test whether the themes made sense in respect of it.

"How do marketing practitioners execute market segmentation in practice?"

This question could be answered by completing a sentence starting with "By (doing this theme), we execute market segmentation in practice". As such, themes that were initially identified may have changed in wording to reflect the themes that best relate to answering the primary research question.

Apart from understanding the thinking process behind these decisions, it would also be of value to know that market segmentation is not done just for the sake of following marketing theory. In fact, when pertinently prompted about the market segmentation (theoretical) model used as the guideline for their decisions, participants agreed that they didn't consciously follow any theoretical guideline regarding market segmentation. Understanding the reasons behind market segmentation explains why marketing practitioners opted for market segmentation as a strategy. It would also be important to know why marketing practitioners adjusted their market segmentation decisions and how they used these decisions to reward their efforts.

Customers in markets don't relate to themselves as segments, only as individual entities with specific needs. The decision to segment markets has limited impact on individual customers in the market – they are blissfully unaware of their status as members of a specific market segment. There must be some logic, therefore, for marketing practitioners to spend time and energy on taking decisions that essentially cordon off parts of the market. This practice prescribes that there are parts of the market that will have to be ignored, even if they offer economic opportunities. It is with this in mind that themes were reviewed (and confirmed) to fit into the overall story of market segmentation as told by marketing practitioners.

An overarching theme must be **“Economic survival”**. Participants laced their efforts to establish and grow their participation in the markets with creating and maintaining economic viability. The ebb and flow of all accounts underscore the economic principle of financial sustainability. From the first selection of market segments to changes in focus on market segments and their needs, developing new opportunities and even consciously getting rid of specific customers or scaling down on the attention to market segments, everything was done with one singular purpose – ensuring the economic future of the organisation. This overarching theme confirmed the significance of market segments: the investment in time and resources to meet the needs of market segments was motivated and efforts were rewarded with sustainability. All participants’ organisations had existed for more than 20 years and they had positive outlooks for future growth.

“Matching strengths to market needs” is regarded as the next important theme. Deviating slightly in words (but not in meaning) from “Making segment choices”, this is the theme that emerged from the discussions with all participants. While they initially entered the (broad) market with specific products/services, participants related their stories of how choices were made to match market segments with what they offered to the market. These were conscious choices. Instead of putting products/services out in the market and waiting for customers to initiate contact, the companies selected specific market segments and targeted specific individual customers in these market segments, as reflected in vivid stories. Confident of their product/service proposition to the market, they made choices about targeting larger customers. All participants mentioned how initial customer interaction resulted in adjustments to current strengths to meet more detailed emerging needs. Responding to more clearly defined market needs signals a refinement in organisational strengths to match market needs. Moving out of market segments (because of economic and legislative reasons), encapsulates how organisational strengths were fused with market needs. Identifying needs for which specific products and services did not yet exist and then developing the capacity to capitalise on an economic opportunity relates to conscious decisions to match organisational strengths to market needs. Syncing market needs with the ability to develop strengths provided much needed protection from competitors, while satisfying the ongoing need for economic self-sufficiency.

A substantial amount of time was spent relating activities to **"Keeping customers"**. This theme makes sense given the high risk of avoiding/missing potential customers through an arbitrary decision to focus on very specific segments in a competitive environment. In terms of the Pareto principle, it makes sense to invest resources in 20 percent of customers who provide 80 percent of income (Reh, 2005). In a business-to-business marketing context, losing one customer could spell disaster, especially if financial earnings from such a customer were substantial. Further to this, getting customers in a business-to-business marketing environment may take several months (not calculating the associated resource and opportunity cost for drafting tender or request for quotation documentation, or for presentations and meetings), which accentuates the importance of retaining all customers. Investing in the development and maintenance of stable business relationships thus makes economic sense, while firm business relationships may go a long way to keep competitors at bay. There is an interplay between understanding customer needs better (because of a strong business relationship) and developing strengths to keep on matching dynamic customer needs. It fits with the overarching theme of economic survival – the theme that all market segmentation decisions hinge on. Ensuring that customers met their own business objectives through the services provided was regarded as an all-important part of keeping customers.

Another important theme that emerged from the market segmentation stories shared is the **"Importance of people"**, regarded as the oil that keeps the wheels rolling. Staff that subscribe to the business culture, managers that personally deal with customers on an ongoing basis, and regular and purposeful contact with key people in customer organisations emphasised the importance of diminishing the distance between people in a world where technology tends to separate people. Apart from employing the right type of staff member, constant sharing of information and ongoing staff training guaranteed empowered staff. In one story shared, an obnoxious customer was sacrificed to protect staff from further verbal abuse by the Chief Executive Officer of the organisation. An important key accounts management principle often stated was that of liaising between own and customer staff on different levels and from different organisational functions. As an example, technical staff liaise with the technical users of services in a customer organisation. There were many accounts of one-on-one discussions with current and potential customers that assisted in greater understanding of customer needs. A premium was placed on activities that emphasised the importance of personal contact in the value chain as part of an ongoing effort to provide superior customer satisfaction.

Another theme that stood out addressed the **"Ongoing learning curve"** that all organisations experienced as they went through stages of development, refinement and growth. This is regarded as an important theme, because participants adopted the concept of a learning organisation intuitively. A learning organisation is an organisation that has embraced a management philosophy to create sustainable solutions and outcomes, while exchanging perspectives with partners to promote the objectives of the organisation (Khunsoonthornkit and Panjakajornsak, 2018). The characteristics of a learning organisation include dialogue, empowerment, creation of systems, team collaboration, environmental awareness and strategic leadership. The most important influencer of the learning curve was without doubt changes in technology. Participants shared that if they had not adjusted to these changes, they would not have developed their strengths and would therefore not be able to keep customers and ultimately be economically successful. Similar technologies could be adopted to suit vastly different needs in different market segments. Developing superior capabilities could be an important building block for an often-elusive competitive advantage. Using a unique strength to gain the trust and support of a few well-regarded customers in any market segment opens the doors to more customers in that segment – making it less costly to get new customers. Constantly engaging with customers (even in dealing with customer complaints) provides valuable insights on opportunities to refine strengths, develop new markets and keep growing as businesses. The one lesson that participants still need to learn is how to use differential pricing for different market segments. Even when prodded, it was evident that value-based pricing, one of the main advantages for adopting market segmentation as a strategy, is not well-understood and therefore not applied. Table 5.1 summarises the reviewed themes.

Table 5.1: Summary of reviewed themes

Theme	**Key points**
Economic survival	• Answers questions about **why** market segmentation is selected as part of marketing strategy. • Business decisions are made with the purpose of being financially sustainable. • Segmenting the market poses a risk to organisations, because a decision is taken to deliberately avoid certain portions of an overall market. • If the segmentation decision is not taken correctly and the wrong market segment(s) are targeted, it could spell economic adversity for an organisation. • Changes in focus on market segments need to align with the overarching objective of economic sustainability. • Taking decisions about new market segments places the organisation under risk. The risk is moderated with assurances of probable economic sustainability. • The risks of dealing with changes in market segments were discussed constantly amongst management

	members and could therefore be considered as calculated rather than naïve.
Matching strengths to market needs	• Answers questions about **how** markets are segmented and selected. • It makes sense for business-to-business marketers to match products and services with a market segment that seems intuitive and a natural fit to current strengths (which are current products and services). • The business relationship developing after formally engaging with customers allows for refining current strengths to be able to adjust to more detailed customer needs. • New products and services could emerge as strengths were refined. • New market opportunities could emerge as new products and services were matched to market segments. • A cycle develops regarding selling products/services to selected markets, refining products/services to match progressing market needs, then matching new markets to innovation.
Keeping customers	• Answers questions about **how** the organisation benefits from doing business in selected market segments. • Focus on specific customers in a target market segment offered opportunities to develop strong customer relationships. • Opportunities to develop key accounts business relationships were used to strengthen ties between supplier and customer. This promoted a competitive advantage. • Key accounts relationships afforded the opportunity to refine products and services to continue meeting market needs. • Focusing on selected key customers in any market segment resulted in other customers approaching the organisation with the objective of doing business. This reduced the cost of customer acquisition. • The investment in resources and time to strengthen ties with customers to retain them, had to pay off economically. If it did not, ties with customers were cut.
Importance of people	• Answers questions about **how** and **what** was done to safeguard a successful business in the chosen target market segments.

	• The real x-factor in successful customer relationships was regarded as the powerful effect of personal contact between suppliers and customers. • Staying abreast of technological changes was considered as a requirement, not a key success factor. • Hiring staff that matched the requirements of organisations from a business culture perspective was perceived as important, with ongoing refinement to training, coaching and mentoring as important support activities. • Working in cohesive teams with teams from customer companies was a given. • The crucial importance of the management team's personal involvement in customer relationships resonated throughout discussions. For instance, a representative of the organisation was not spearheading presentations to potential customers – this was regarded as a management task.
Ongoing learning	• Answers **what** and **how** questions about staying in business for many years. • None of the participants claimed that they knew enough about growing the business. An eagerness to learn safeguarded them from complacency. • This theme was enforced by the rapid and ongoing changes in technology with which participants had to cope. • An important qualifier for this theme was the inclination and ability of all participants to learn from changes in market needs. In all cases this ability supported their market leadership. • The willingness to set themselves up for continuous learning intuitively led to a management philosophy of a learning organisation. • One important advantage of using the theory of market segmentation is knowing how to apply differential pricing to their advantage.

The themes were developed with these considerations in mind:

- Did the themes occur throughout the discussions with all participants?
- Do the themes contribute to finding answers to the primary research question?
- Do the themes answer the all-important "What, How, and Why" questions that are regarded as an important feature of qualitative research?
- Are the themes interconnected (do they relate to each other)?

Figure 5.2 shows the interconnectedness of these themes.

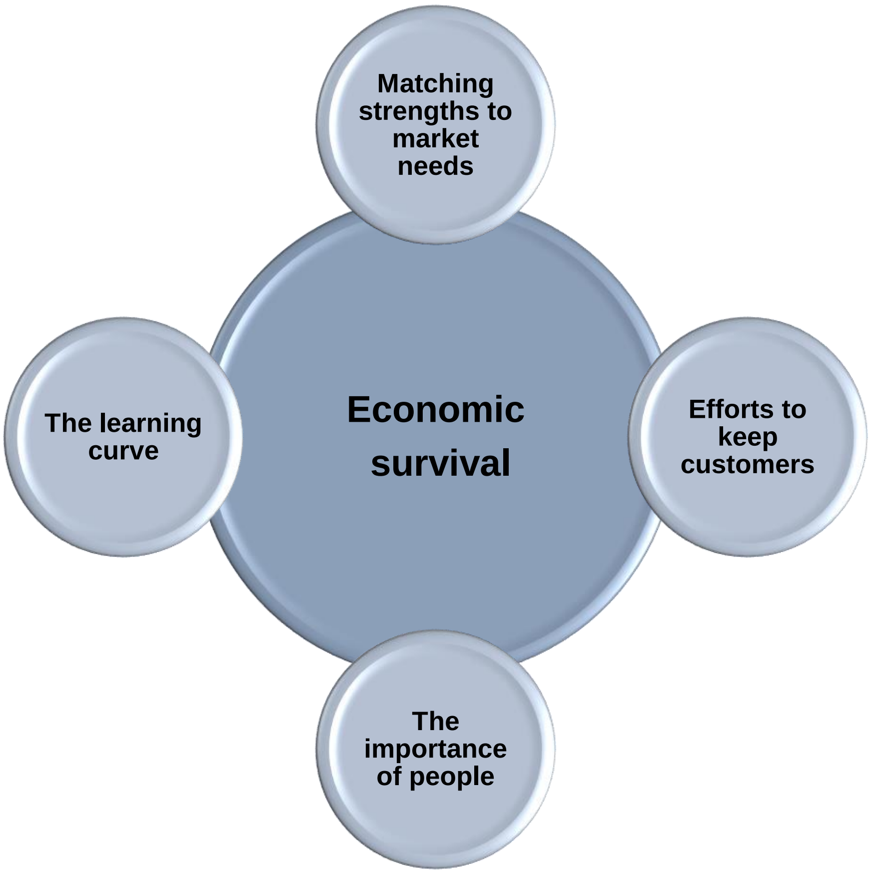

Figure 5.2: The interconnectedness of the themes

The economic survival theme binds all other themes. Participants' stories all revealed how they initially selected specific market segments to target. This happened intuitively and was based on the products and services which had been developed to approach the market as entrepreneurs with needs-based solutions. The segmentation of a macro market was to provide focus, but it came with risks associated with deliberately ignoring potential market segments and focusing on market segments that could not yield the desired financial rewards.

Once commercial contact had been made with customers, efforts were made to retain customers and sell more to them. These efforts were motivated by the overarching principle of economic survival and rested on two important pillars:

- Use all communication with customers to refine the current market offering – even if the communication is in the form of a complaint.
- Provide a *service* that is difficult to emulate – thus safeguarding the time and effort invested in keeping customers to provide a competitive advantage.

The contact between people and the important role of people in the organisation in cementing customer relationships was often emphasised. While all participants' products and services were tied to the mastering and use of technology, the personal interaction between staff from the supplier side and the customer side was paramount. This interaction was made possible only through the efforts to keep customers, and it had to make economic sense.

Lastly, by listening to customers, adjusting products and services to respond to changing needs and ensuring that people interaction played the vital part that it should, the participants were placing themselves on a road of ongoing improvement. The learning curve was facilitated by activities evident in the other themes – and it all contributed to economic survival.

5.6 Conclusion

Research findings were discussed using the following as a guide:

- Data were discussed using the research objectives as a first level of thematic analysis.
- Staying with the guidelines provided by Maguire and Delahunt (2017), a second level of thematic analysis was done. Themes were selected based on their significance and relevance to the overall research question.
- Preliminary themes were then reviewed to test how strongly they were supported by data, to determine if some of them could be grouped together because of overlapping meaning and to establish if the theme made sense in terms of the experiences shared by participants in this research.

A discussion on data quality based on Thorne (2000), supported the credibility of the data that were used.

Chapter 6: Conclusions and recommendations

6.1 Introduction

This chapter explores the research findings from Chapter 5 based on the research questions which align with the stated research problem. The findings will be discussed in the context of the literature review (Chapter 2 and Chapter 3). Conclusions will be drawn from the discussion of the findings, while recommendations will suggest ways to accommodate the research findings. Lastly, suggestions are made for further research.

6.2 Summary of findings

The first finding is the important role that economic considerations played in making decisions about market segments, from the initial choice of market segments to interaction with market segments to changes in focus on market segments to eventual withdrawal from market segments. No theory was followed to "scientifically" decide on aspects of market segmentation over a product life cycle. The key motivation for all these decisions was that of economic sense – segmentation decisions were generally based on economic considerations and taken intuitively.

While marketing strategy served as a general guideline for market direction, the role that management intuition played in making market segment choices was another important finding; intuition was determined by economic motives and the business acumen of respondents. In all three case studies, initial market segment choices were based on the market segments with an obvious need for the products and services provided. Initial decisions changed over time through deliberation and consensus amongst management team members based on the best economic route to follow. New products and services were often conceived to strengthen a position in a market segment. Since these innovations were habitually developed through application of new technologies, management intuition about market adoption, for instance, played a role. It was emphasised by respondents that they did not follow any prescribed market segmentation model or recipe to take decisions about market segment choices. It was, in fact, evident that the respondents did not know much about any market segmentation models that they could consult. Relying on intuition also inhibited the use of discriminatory pricing between different market segments, which could be to their advantage. Millier (2000) points out that intuitive segmentation is most appropriate in the business-to-business marketing context where markets are concentrated, and suitable data often limited.

A further finding was the role that changes in market needs played in shaping market segment decisions. Respondents related their market segment choices to adjustments of the organisational strengths to meet changes in market needs. This can be regarded as a pull effect. Market needs and changes in market needs dictated the response of the participants in this research – even in cases where they had acquired more intimate knowledge of market needs through their customers. This happened on a continuous basis and could be regarded as part of the organisational culture of participants. It also provided much needed competitive advantage.

The intuitive adoption of key account management principles was also evident. There was not only regular communication with the different market segments, but also ongoing liaison between different management levels of participant organisations and their customers as well as different functional areas. In all the participant case studies, the availability of top management as active participants in the key account management practice was evident.

Targeting specific market segments and adopting key account management principles to guide the satisfaction of market needs resulted in brand recognition and brand preference. These are some of the desired outcomes of following a market segmentation strategy.

Lastly it was found that the focus on specific market segment needs offered a conduit for strengthening market presence through the adoption of technology; staff selection and training; and other adjustments to accommodate the specific needs of selected segments.

6.3 Discussion of findings

Findings will be discussed in two parts: firstly, findings in relation to the literature review and secondly the relevance of findings to known market segmentation theory and established segmentation practices.

6.3.1 Findings in relation to the literature review

The economic rationale for making choices about market segmentation confirms the early sentiments of Smith (1956) about adjustments that organisations in an imperfect competitive situation can make to specialise and to differentiate themselves. The most prominent finding of this research confirms that participants (read businesses) use their unique differences to target specific market segments and attract and keep customers in a specific selected segment. It is possible because of naturally occurring differences between competitive strengths on the one hand and market needs of businesses on the other. It was also evident from the discussions that decisions about market segmentation were mainly based on the economic rationale. Sharing their experiences, participants confirmed Tonks's (2009) view that marketers should benefit from market segmentation by enhancing customer satisfaction through specialisation. *"Market segmentation then serves to codify understanding of complex markets and from that, to facilitate practice by improving customer satisfaction both effectively and efficiently*" (Tonks, 2009:342). Respondents displayed an (intuitive) practical application of market segmentation theory - to satisfy customer needs in such a way that it created specialisation (and difference), which looped back to customer satisfaction. By applying economic principles in a context of imperfect competition, marketing theory was confirmed, a phenomenon described by Shaw and Jones (2005). *"Thus, the marketing manager's job is to find an optimal marketing mix, relative to competition, for a given customer segment"* (Shaw and Jones, 2005:258).

From shared experiences, it was further evident that the participating organisations experienced the advantages of applying market segmentation principles. Advantages such as matching organisational capability with segment needs and developing specific products and services that were exclusive to market segment needs - leading to market segment dominance. The findings from shared market segmentation practices confirmed most of these advantages, as described by McDonald and Dunbar (2004); Jooste *et al.* (2012); Schiffman and Wisenblit (2015); and Armstrong *et al.* (2017). The only benefit that was not sufficiently explored by participants was differential pricing, which is regarded as one of the most important advantages of applying market segmentation theory (Armstrong, Kotler and Opresnik, 2017). Other benefits confirmed through experiences shared included innovation based on market needs rather than on organisations' own perceptions of innovation (Markey, Ott and Du Toit, 2007) and management team coherence (McDonald and Dunbar, 1998).

While Simkin (2008) cautions against simply dividing a market into parts and using those as segments, the finding was that this is exactly what happened initially in all three cases - they had a product/service which was then paired with markets where an obvious need existed for it, thus confirming the positions of Simkin (2008) and McDonald and Dunbar (2004) that business-to-business marketers tend to combine products and services with specific industries instead of market needs. Only after participants had become more familiar with the initially selected market segments' operational requirements and more detailed product/service needs, could they develop specific marketing strategies that provided a platform for more creative marketing. This is an aspect of the process of market segmentation that seems to differ from the theory. As early as 1983, Kotler mentioned that market segmentation was part of a management process of market segmentation, market targeting and positioning in the target markets (the STP process). This approach is still part of contemporary market segmentation theory (Malaval, Bénaroya and Aflalo, 2014; Schiffman and Wisenblit, 2015; Armstrong, Kotler and Opresnik, 2017). This study found that participants would rather select specific industries, target specific individual organisations inside these industries and then work on a strategy to differentiate themselves through specialisation. The notion of using market segmentation to position themselves vis-à-vis competitors was never mentioned. Research by Fischer (2014), Sirobaba, Cherednichenko and Tiukha (2014) and Śmigielska and Stefańska (2017), in which positioning was discussed as a part of the STP process, indicates that positioning is applied more in a business-to-consumer context when brand building for a mass market is more desirable. In the case of this study, the focus was on differentiation through innovation and positioning was never mentioned as a specific outcome of segmentation. Innovation was focused on meeting customer needs to the smallest detail. The starting point in all cases was the pairing of markets with the needs that current (already developed) products and services should satisfy. The decision to target specific markets was done intuitively and loosely guided by an assumption of economic value to the organisation. Since maximising economic value is an intrinsic part of management decisions for organisations operating in a competitive environment, it could be expected that the participants in this study would apply the principle.

While it was found that formal market segmentation theory was not always used to guide segmentation strategy, the approach used was based on business acumen, management team cooperation and economic meaningfulness. According to Tonks (2009), common sense pragmatism would always be part of the approach to implementing theory. Elements of market segmentation strategy that were used intuitively included market segmentation bases such as geography, business demography (general observable segmentation bases) and product specific observable criteria such as usage frequency, purchasing approach and benefits sought. Market segmentation ***strategy*** principles shared by Hunt (2011) were also followed intuitively. The principles include identifying segments with similarities in demand, targeting specific segments and developing marketing mix strategies for each target segment to gain a competitive advantage. The market segmentation bases described by Wedel and Kamakura (2000) were all present. Market segmentation bases included geographic location, company demographics, purchasing approach, situational circumstances (such as specialist application), benefits sought and type of organisation. General unobservable segmentation bases such as psychographics and personal characteristics of buyers were also evident in the choices made. In Chapter 2 of the literature review mention is made of the wide selection of market segmentation bases available to business-to-business marketers. Although participants used all the bases, it must be emphasised that the process entailed a mix of planned use of segmentation bases and intuitive decisions made as opportunities arrived. For instance, participants would plan to target specific industries in specific geographic regions but would then come across a chance opportunity that would be pursued. The shared qualifier used for pursuing unplanned opportunities was whether it made economic sense or not. As such, the approaches shared confirmed the early comments from Dibb and Simkin (1996) that the selection of segmentation bases was influenced by the subjective judgement of people and therefore it was rarely possible to conclude if decision makers had applied the best way to segment a market. In the minds of participants in this research, the explanation used for "the best way to segment a market" referred to economic success and was translated as their own number of years in business and the business's growth in financial performance. The experience accumulated by the management team, coupled with the gain in institutional knowledge over the years that they were in business attested to their own opinion that the markets selected and served were the best.

Another finding regarding the use of market segmentation bases was the time factor associated with the sophistication of the bases used. This suggests a multi-stage market segmentation approach as suggested by Thomas (2016). Initial segmentation efforts used industry type, geographic area, the size of the organisation and other generally observable segmentation bases. As time passed and the nature of the relationship between the customers and marketers began to mature, more sophisticated segmentation bases were used for targeting/selecting specific customers in the segments. Segmentation bases such as business culture, benefits sought and particular applications were evident in the secondary market segmentation, described in more detail by Dibb and Simkin (2008). It also recalls the nested approach described by Shapiro and Bonoma (1984) and referred to by Dibb and Simkin (2008). It supports the finding by Harrison and Kjellberg (2010) that initial segments will be re-segmented as the practical application of products/services becomes apparent. According to Weinstein (2011), market opportunities show up in every level of the nested approach. For instance, refining knowledge on the geographical distribution of the customer base indicates parts of the market that are not yet sufficiently covered. Understanding customers better as information towards the middle of the nest improves unveils knowledge about the current customer base that could be applied to new markets (Weinstein, 2011). For ease of reference and to illustrate, Figure 6.1 recaps the nested approach.

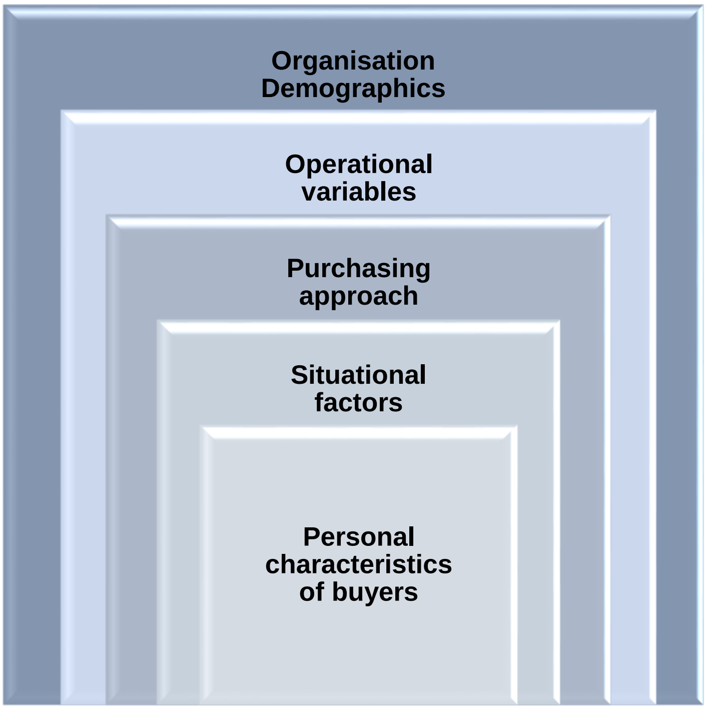

Figure 6.1: The nested approach to business-to-business market segmentation

Source: Adopted from Shapiro and Bonoma (1984)

Regarding demographics, it was found that participants initially used organisation size, type of organisation (government or private), type of industry and other general observable segmentation bases for a preliminary demarcation of the broad market. This was done intuitively, rather than by following market segmentation theory process protocols. After the initial demarcation, more specific descriptors were applied to identify customers in the initial segments. Bases such as sales volume, sales value and profit potential were considered. Not only did this approach confirm the economic rationale for segmentation from the organisations' point of view, it also indicated the intuitive application of an approach suggested by Shannahan, Shannahan, Bush and Moncrief (2016). Segmentation was further refined by getting insight into the difficult-to-understand characteristics of individual customers. These characteristics included the personal preferences of individual customers, needs specific to individual customers, preferences of dealing with specific sales staff (in the case of cultural differences between sales staff and customers' staff) and other characteristics that could only be known through interacting with customers in close business relationships. This intuitive approach shared by participants confirmed the earlier stance by McDonald and Dunbar (2004) that was later confirmed by Thomas (2016), namely that the only way to really gain the benefit of market segmentation is to use market needs to qualify a market segment. Thomas (2016) took the idea further, suggesting that a multi-stage market segmentation approach be followed. The pattern is that of:

- Selecting market segments (based on current products/services/strengths).
- Targeting specific customers in selected segments.
- Using customer interaction to refine knowledge of needs that go beyond product and service demands.
- Adjusting strengths to suit the requirements of targeted organisations.
- Continuously refining knowledge of needs.
- Re-aligning strengths to explore possible new opportunities.

This pattern emerged from the market segmentation approaches described by participants in this research. The intuitive nature of the seeming commonality in the market segmentation approach shared by participants coincides with the historic recommendation of Wind and Cardozo (1974:155) that marketers should follow a two-stage segmentation approach (macro and micro): *"…we propose that industrial markets be segmented in two stages. The first stage involves formation of macrosegments, based on characteristics of the buying organization and the buying situation. The second stage involves dividing those macro- segments into microsegments, based on characteristics of decision-making units (DMUs)."*

The macro stage uses general observable market segmentation bases such as geography, type of industry and company size.

Using industry type and size of company as guidelines:

"Firstly, we have developed certain products and services on the web and reporting functions up to a stage and start testing them. We got feedback which leads us up to certain directions where it would be accepted quick, early uptakes and certain segments….."

"So we first identified our own strengths, then look at the landscape, then looked at our competition. And then we selected a strategy that, you know, we broadly termed, let's pick the fights we can win."

Using geography and size of company as guidelines:

"We look for companies with a national footprint. Because our datasets cover national and our technology makes it possible."

"We looked at many different market segments. We decided where there is the biggest need for our products and where the most money is."

"There are just so many provincial departments and so many national departments. Outside that there are many businesses. In telecoms and business intelligence, there is much more money in circulation and therefore more money for us. So that is where we shifted our focus."

Using geography and industry type as guidelines:

"…where we are involved with film and production travel and I think the majority of the time that segment is due to the location in Cape Town because of all the Cape Town studios and everything being there..."

Using industry type as a guideline:

"Looking at the broad market, we then said which specific markets we can service best. So we can service oil and gas better than anyone else, so we position ourselves to become the service provider of choice."

"In a broad sense, we have expertise in four domains. Agriculture, environment, telecoms and business intelligence. So we looked at providing services specific to these segments, but at the same time looking at ways to fine-tune our products to suit specific needs in those markets."

Micro market segmentation bases are considered in a way that makes sense to the marketer. This confirms Thomas's research into how business marketers can broaden their understanding of their markets and gain competitive advantage through applying the principles of market segmentation; Thomas (2016) concluded that academics and marketers should explore ways to refine multi-stage market segmentation. The findings from this study support Thomas's (2016 stance, as all participants used a more profound understanding of their customers to gain a competitive advantage.

Gaining knowledge of cultural differences in seemingly similar markets: Gaining this knowledge assisted in fine-tuning their marketing approach to suit different cultures' needs.

"In Africa it is very often a case where the experiences are based on almost tribal differences. Which is only understood through learning as we go along."

Gaining knowledge of changes in needs and differences in needs from specific individuals in a target organisation:

"…..because we have to be constantly aware on how to fine-tune and package our offerings to make sure that we stay relevant."

"….with that kind of segmentation (approach) there also comes then the exposure to VIP travel (needs). It comes with very different needs and specifications."

Gaining knowledge of specific customers in target market segments provided a platform for customer relationship management based on the management philosophy of market orientation. These marketing concepts emerged from the common understanding that the marketing school of thought was shaped by an evolution in management thinking (Zinser and

Brunswick, 2016). Offering a better service to customers by understanding and accommodating deeper known needs, formed the foundation for gaining competitive advantage through differentiation. One of the foremost researchers who mentioned differentiation and market segmentation as alternative marketing strategies was Smith (1956); this seems to be confirmed through contemporary marketing practice.

"…you use your strengths to develop markets. And then you use the market segments to develop your strengths."

The way in which these case study participants capitalised on the benefits of intimate knowledge of customer needs provided by market segmentation confirmed Day's (2011) recommendation of market orientation as a firm base for shaping organisational capabilities. Their ongoing information gathering, sharing and applying abilities supported Day's (2011) opinion that market orientation, with its inherent market information processing perspective, facilitates aligning marketing resources with market needs. This was also confirmed by Weinstein (2014), who posited that market-oriented companies were more successful in redefining opportunities than companies that were not market oriented. A finding that resonated throughout the shared experiences was how new opportunities were constantly introduced when pursuing the continuous satisfaction of changing market needs.

"*The broad strategy is to service those markets with specific products - but more short term we look at those industries and specific clients we talk to them and provide information and adapt and fine-tune these services."*

"The retail needs a very refined product, so in the meantime we are still refining our products for that."

"We were not at that level where we could offer them our local online booking tool. And that is where we went back to the drawing board, we actually developed them that, we came back into the market and we showed them what we developed with added advantages."

Using their management and customer relationship skills and constantly adapting their (service) resources to satisfy needs as they emerged, all the respondents created a competitive edge in their markets which was based on service differentiation. In adjusting their services to changing market needs, new market opportunities emerged as innovations morphed current products and services into something that was needed in other (new) markets. From the practices shared it is deduced that market segmentation is not regarded as a formal once-off or timed event. Market segmentation was regarded by all participants as an ongoing and fluid part of their thinking about customers and how best to access them for economic gain.

"Because we look at opportunities constantly, we find new markets for our products on an ongoing basis."

"You know what, I travel a lot. I pick and I see things that happens over there. I read quite a bit and I see the trends that is happening overseas. I always bring things back to my creative person so that she is always relevant and current. I am from a creative background."

"We regularly look at marketing strategy and how we have to approach that – because we realise we have a broad strategy, but with a constantly changing environment we are operating in, we have to adapt constantly."

"Managing the process on an EXCO level is where we will give feedback on our successes monthly, quarterly and yearly. One has to be flexible enough to make changes on the move, but small incremental changes. Giving an opportunity enough time to be properly tested, but not sticking to it in terms of the business plan in year one."

One of the most important benefits of market segmentation for marketers is the potential that segmentation creates for differential pricing. Participants in this research did not explore the possibility of this market segmentation strategy benefit. Differential pricing, also referred to as price discrimination, is regarded as the consumer surplus that sellers can create when charging different prices for the same good for different market segments (Begg and Ward, 2013). The economic ideal is to get customers to pay more for goods than they cost to deliver. This is called consumer surplus. According to Pindyck and Rubinfeld (2009), the ultimate would be to have enough knowledge of each individual customer to know what that customer would be willing to pay (the customer's reservation price) and charge that. According to Jobber and Shipley (2012), the conditions under which price discrimination (an important consequence of market segmentation) can be implemented successfully include aspects such as:

- The ability of customers to pay a higher price. This research could not establish whether this was the case, but participants commented on the price sensitive nature of their markets.

  "… but Government is drilling us. How we are selling, what we are selling, are these the best prices, the best deals?"

  "...because of the hypersensitivity of price in SA the opportunities for the product is very limited."

- Higher demand than supply. All three case study organisations had competition that ruled out the possibility of moving into a monopolistic pricing situation where the market had to pay the supplier's price, only because there was little choice for customers.

  "…they are coming with a product but it is based in Euros, so we can't price it in South Africa; it's very expensive in South Africa."

"It means more competition. I think those factors means more competition in a broad sense and technology advances and improvements to keep track of."

"You have competitors that compete directly with you on those?"

"Absolutely. So, absolutely."

- Low level of competition. In all three the participating case studies, there were enough levels of competition to offer customers the choice of an alternative supplier. While alternative suppliers limited opportunities to adopt premium pricing, possibilities existed for this pricing strategy through differentiation.

"…so people expect and requiring more information and needs are on a mature level now. It means more competition. I think those factors means more competition in broad sense and technology advances and improvements to keep track of."

"My competitors have copied me… We change our website, they do the same, we change technology, and they do the same."

"It is a small industry; everybody knows everybody; all competitors hate me but they are there. They take some of my clients, I take some of their clients. When you get these clients from them, must tell you, not nice."

- The market's perception of the value of a brand. Although the service provided was sufficiently appreciated to gain meaningful differentiation for the brands of participants, the advantages of price differentiation were not regarded as an option by any of the participants.

"Depending on market segment, we apply this technology. We have a difference in price depending in terms of either hardware or services used. The price will be different depending on the infrastructure used."

"…pricing which is more often associated with more of the level of service."

*"Because you get evaluated on a tender document that's sent in…" (*The implication of tendering for business is that low price is an important qualifier for being awarded a tender.)

"What we are trying to do is to look at number of users that use our services in a specific company – try to accommodate even a small business, to medium to corporate business and that based on number of users." (The price charged for each customer changes according to the number of users in a company.)

- Competitors' (low) price is not a barrier to market entry. The overarching objective of the market segmentation strategy approaches shared by participants was to be economically viable. If, for whatever reason, a market segment was not economically viable, participants would not target it.

"Constantly we have to be aware of new development and opportunities to stay ahead."

"…and then in terms of business intelligence we, we are constantly looking at where's new opportunities in new market segments."

"We ask ourselves three short questions. Can we sell it, can we support it and is it sustainable? And if it does not click all 3 boxes, then we decline the opportunity."

The reality of participants in this research was that a substantial amount of their business income was from the government sector. As such, the route to enter the market was through a tender process. The tender process, by default, endorses low price as an important qualifier for awarding tenders. When prompted, participants mentioned that their customers often discussed pricing and their need to ensure that they got the "best price". While pricing was generally set for the duration of a tender period, participants stressed that the price charged for a service was often scrutinised by customers. According to one participant, they discontinued their relationship with a government customer because they could no longer accommodate its insistence on a lower price. Coupled with long overdue payments, the relationship was no longer economically viable for them.

"XXX (A government client) *is actually a very good example. Last time they went onto tender, we decided not to tender. Being there too long, they are bad payers, have not paid us, so we said are we this desperate?"*

Another advantage of successful market segmentation that was highlighted by authors such as McDonald and Dunbar (2004), Jooste *et al.* (2012), Schiffman and Wisenblit (2015) and Armstrong *et al.* (2017), was the development of unique marketing strategies for specific market segments. There was evidence of product and service innovation and service delivery adoptions, but little evidence of specific and unique broader marketing propositions for different market segments. Differentiation and competitive advantage were dominated by offering unique tailor-made services according to the needs of individual customers. Providing an excellent service through attending to the details of product/service innovations to suit the needs of every single customer from the market segments coupled with on time delivery were regarded as the most important aspects of the marketing proposition. In this sense the participants all got the benefits of market segmentation according to Markey (2007).

- By concentrating on selected profitable customers, case study organisations tend to harvest loyalty from existing customers before moving on to find new ones.

*"…..and because we already know how to by learning from them, it went better. Then (*the next Client*) in-house - went better, (*next Client*), and went better. Our hit rate doing tenders became much better."*

- Strengthen ties with existing customers by fine-tuning the value added to the market. Participants constantly looked at methods to strengthen their capabilities to meet target customer needs in ways that would alienate competitors.

"…*we look at those industries and specific clients we talk to and provide information and adapt and fine-tune these services – overview broad strategy and then more detailed approach."*

"… you developed the strength into that market segment and by developing that strength, you kind of kept people out of that market segment…"

- Stimulate innovation by listening carefully at clues that could assist in meeting changing needs of target customers.

"Especially with technology one almost have to adapt to make adjustments to processes and means of delivery. It is a fine balance – constantly adapting products and services to stay up to standard."

"Client had need and the need was can do incentive (travel). And now they are clients for 5 years. Once again learning how to drive it properly."

In gaining these benefits, participants confirmed research by Harrison and Kjellberg (2010) that market segmentation provides a platform for opportunities for focused interaction with customers. As such, customers are part of a process of innovation. This assisted managements of the case study organisations to gauge the benefits that customers got from the innovation first-hand by interacting with them.

A theme that featured prominently was the extraordinary effort that all participating companies put into innovating products and services to meet customer needs. This aligns with Clarke and Freytag's (2008) proposition that the needs of a market segment could dictate the resource deployment of the supplier organisation and the segmentation objective should therefore be to find out as much as possible about the needs of strategic customers. The focus should be on ways to add value to the solutions created for customers, while balancing it with the development and application of resources. Clarke and Freytag (2008) add that marketers should at no stage lose sight of the individuals that they deal with, as these individuals can provide much needed information about access to opportunities in related target markets. This strong confirmation of market orientation as described by Jiménez-Zarco *et al*. (2011), where cooperation between marketers and their customers lead to the development of innovations valued by their customers, was evident in experiences shared by all three participating case studies. This finding further supports that of Kosuge (2015) that the adoption of a market oriented approach to customer needs plays an important role in organisational success. Heracleous and Wirtz (2010) referred to innovation that was driven by customer likes (or dislikes). They cited Singapore Airlines' focus on continuously probing customer needs; this led to superior service as their most important differentiator. Evidence from all case study participants indicated ongoing adjustments to meet customer needs that led to service excellence, which in turn led to differentiation that competitors found difficult to copy.

We do not follow a formal bosberaad approach. But we are constantly talking about changes and needs around us. The discussions are informal and ongoing process, but once an idea looks good, it will be formalised."

"…..because your strength was you know, people just couldn't copy what you were doing and things like that. Correct."

"But (previous customer) took our staff over. They kept our staff. Uh, and that whole – that whole model actually crashed." (A former customer attempted to create its own capability to offer the services provided but failed to replicate the specialisation required to provide the service with equal success).

Management practice described by participants supports research by Beltagui, Candi and Riedel (2016), who discussed service design strategies to enhance the migration from a manufacturing to an experience economy.

What also transpired was the participants' ability to forge superior business relationships with customers based on their ability to continuously adjust to changing needs. In a way this gave them preferred supplier status. The importance of relationship marketing to organisational success was described by researchers such as Lambert (2010) and Tzempelikos and Gounaris (2015). Relationship marketing approaches described and intuitively implemented by participants in this study embraced a strategic, process-oriented, cross-functional and value-creating practice that not only benefitted marketers, but also their customers, as defined by Lambert (2010). In terms of the nested approached mentioned above, relationship marketing facilitates the gathering of information about market needs as the relationship moves towards the middle of the nest – and in doing so alienates competitors that don't have access to the privileged knowledge about personal characteristics of important individuals in the customer organisation. One participant related how awareness of the animosity between different tribes/cultures in one country assisted them to deal with customer preferences on a level that was not conceivable before a close business relationship had been forged. They could then develop marketing approaches that were different from their earlier marketing efforts which had been based on less detailed knowledge. In this case, deeper knowledge afforded a definitive competitive advantage.

The relationship marketing approaches that were shared during interviews followed an intuitive approach of key accounts management that was acknowledged by Tzempelikos and Gounaris (2015), who set out how key account management allows for longer-term, strategic and mutually beneficial business exchanges between an organisation and its key account customers. The business relationships described were forged between management and functional levels from the participating organisation (supplier) and its customers. One participant related how they kept contact with past customers - something that is not described in key accounts management literature.

*"My KA (*Key Accounts*) managers. I always make sure that they give something to clients. Even if they are not clients any longer. Every year I have a Valentines party. I cannot cut the invite list."*

Research by Davies and Ryals (2014) highlighted how key account management benefitted customer satisfaction and retention. One benefit was getting positive referrals from satisfied customers. It was interesting to note how the participating case studies dealt with the least desirable aspect of key accounts management - the cost to service. Davies and Ryals (2014) found that the high cost to service key accounts was the least desirable aspect of key accounts management. While two participants emphasised the economic motivation for doing business and related that they severed ties with customers that became too expensive to serve, a third kept contact with past customers claiming they paid forward for business that might return. In the government environment, any tender can only be allocated to a supplier for 2 consecutive periods. Keeping contact with past suppliers enables companies to know what goes well and what does not go well in a relationship between the customers and competitor. This information is then used when the next tender becomes available. Experiences related during interviews conveyed how some customer relationships resulted in staff from the supplier and the customer companies being actively engaged in jointly drafting value propositions based on needs and solutions. This practice is reminiscent of what McDonald and Dunbar (2004) referred to as strategic segmentation – a situation where marketers combine customer focus with a high level of integration across functional activities. In two of the case study organisations, participants integrated their operations with those of customer companies, such as having a permanent staff member on the premises of a customer company, or a design specialist that worked hand-in-hand with product developers in the case of the asset management service provider.

An important aspect of qualifying a market segment was through data manipulation and information management. Only the crudest form of data was used to identify potential customers, with no other forms of information serving to further qualify market segments. It seems to confirm the opinions of researchers such as Millier (2000), who opined that statistical analyses suggested by many researchers to assist marketers to describe and endorse market segments were too complex and therefore likely to be ignored as tools adding value to market segmentation decisions. The approaches used seem to be more in line with Dibb and Simkin's (2008) suggestion that survey based market segmentation should not be regarded as the only solution to segment formation. They proposed segmentation based on the interpretation of qualitative research data and managerial judgement. The findings from this research firmly confirms the latter – managerial judgement was mostly used to qualify market segments and target individual customers within market segments. Even if a market opportunity presented itself, the opportunity would still be considered (formally) through management team discussion and decision.

*"We (*members of the management team*) looked at many different market segments. We decided where there is the biggest need for our products and where the most money is."*

"Looking at the broad market, we then said which specific markets can we service best. So we can service oil and gas better than anyone else, so we position ourselves to become the service provider of choice."

"So we first identified our own strengths, then look at the landscape, then looked at our competition. And then we selected a strategy that, you know, we broadly termed, let's pick the fights we can win."

6.3.2 Findings in relation to market segmentation theory

Market segmentation theory subscribes to broad market segmentation phases that can be followed and implemented by marketing practitioners. This part of the reporting will discuss these approaches and then compare them to the approaches followed by practitioners as evident from the research. The models suggested by Dibb and Simkin (2008) and McDonald and Dunbar (2004) are used as the two main references for comparing suggested market segmentation theory to participant related practices, the reason being that these researchers are well-known authors of textbooks that specifically deal with market segmentation. Dibb and Simkin (2008) authored "Market segmentation success. Making it happen", while McDonald and Dunbar (2004) were responsible for "Market segmentation. How to do it. How to profit from it." Researchers such as Boejgaard and Ellegaard (2010), Kannisto (2016), Kruger and Snyman (2017), Obilo and Alford (2018) and Brotspies and Weinstein (2019), all acknowledged Dibb and Simkin in their research. McDonald and Dunbar were referenced by researchers such as Dibb and Simkin (2010), Liu, Kiang and Brusco (2012), Kannisto (2016), Dolnicar, Grün and Leisch (2016) and Brotspies and Weinstein (2019). The references are provided to illustrate that these authors were cited by several researchers over several years, also in recently published work (since 2010 to 2019).

The complete market segmentation process consists of three distinct activities, which are generally accepted and described as segmenting the market, targeting specific segments and positioning the organisation vis-à-vis the target segments. This is the so-called STP approach as suggested by authors such as Myers (1996), McDonald and Dunbar (2004), Dibb and Simkin (2008), Schiffman and Wisenblit (2015) and Armstrong *et al.* (2017). Segmenting happens when customers with similar needs and buying behaviours are grouped into segments by using one or more segment criteria. In this regard, it is important to note Wedel and Kamakura's (2000) opinion that segmentation should be based on demand and not on people in a market. The implication is that individual consumers may be part of more than one market segment for the same product. To illustrate: when buying meat for normal family grocery consumption the need satisfied could be for a good quality product at an affordable price to provide food for the family. When purchasing meat for the entertainment of friends, the need satisfied could be to serve choice meat cuts to friends who appreciate gourmet food.

Targeting involves the selection of segments that can be developed economically through pairing with company resources. The third stage, positioning, entails creating a position in the minds of the market that is then used for the development of appropriate marketing programmes for the targeted segments (Armstrong, Kotler and Opresnik, 2017).

From the research findings, it became evident that managers intuitively followed some of the guidelines as described by Clarke and Freytag (2008), who proposed that the purpose of segmentation dictated the questions that needed to be answered and that segmentation could be done for either strategic or operational reasons. Failing to distinguish between the two purposes may be partly to blame for the failure to garner the purported benefits of market segmentation. For instance, if management wants to explore new markets, they may opt to use geography, size and type of company as market segment bases. All three participants outlined their segmentation choices when exploring new market opportunities. Geography was an obvious choice for all participants, as selecting customers from a specific geographical area would provide both access to these customers and focus on exploring the most lucrative opportunities in the geographic region. In these geographic areas, targeting choices were based on a natural fit between market needs and the products/services offered, the size of target companies and the type of company. The application of the recommended activities will now be discussed using a generic market segmentation process as presented by Dibb and Simkin (2008). For ease of reference, the process is replicated from the literature review (Figure 3.2, Chapter 3) in Figure 6.2.

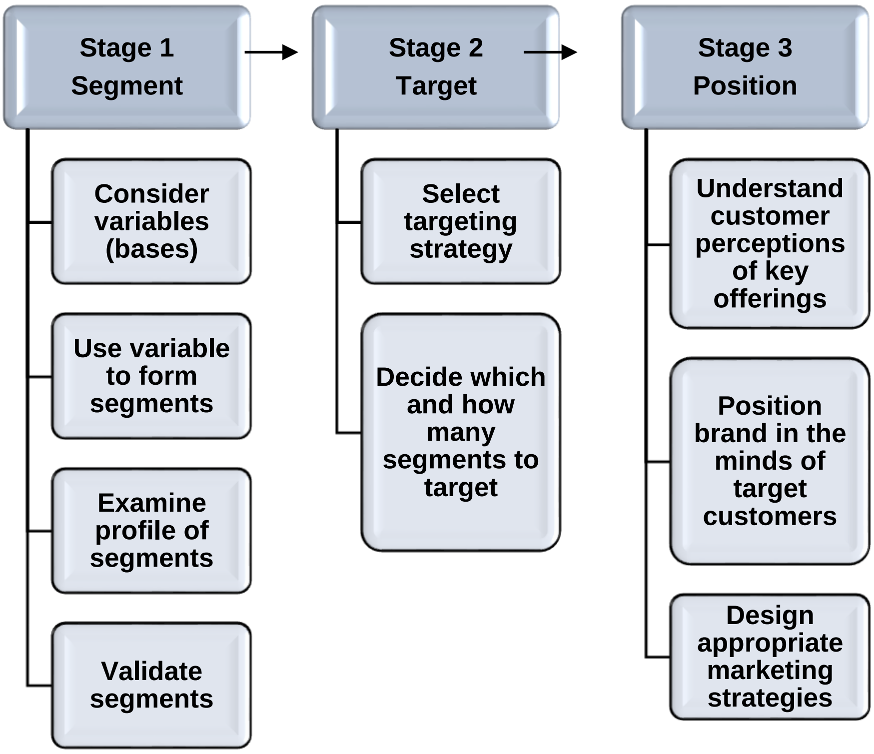

Figure 6.2: The market segmentation process (Dibb and Simkin)

Source: Adopted from Dibb and Simkin (2008)

As already mentioned, there was very little evidence of the adoption of a formal (theoretical) market segmentation process. Using the process from Figure 5.2, the intuitive application of the suggested activities in each stage will be addressed.

Stage 1: Segment the broad market

The consideration of variables when selecting market segments was limited to geographic area, organisational demographics (mostly size of company), industry and/or type of organisation. The most important consideration was to find a natural fit between the products and services offered by the participating case study companies and the organisations that were targeted. It is important to note that in all cases their strengths were reinforced by obtaining the details of needs and adjusting their value-added offering accordingly. The essence of needs varied from specific ways in which to deliver a service, to changes in information provided and even consideration for the type of people that customers wanted to deal with in the supply network. One case study organisation related the effort made to align the payment system of a client organisation with its invoicing to ensure swifter payment. The process involved in improving the payment system for the client company built a trust relationship that lasted for many years. Adjusting to these miniscule needs safeguarded a competitive advantage. It was as if the initial crude segmentation bases were used as the steppingstone to create new bases, such as purchasing approach, operating variables, individual buyer preferences and personal characteristics, for further market development. This modus operandi brings to mind Venter and Jansen van Rensburg's (2014) recommendation of a multi-step approach, where some of the segmentation bases suggested by other authors are rather used to draw a profile of a target market segment. This aligns well with the second activity of this stage where variables (bases) are used to form segments. It also aligns with the segmentation matrix suggested by Clarke and Freytag (2008). Participants in this research were always focused on ways to strengthen their market position, which indicates an operational rather than a strategic approach.

The last two activities in the market segmentation process suggested by Dibb and Simkin (2008) – develop a profile of a segment and validate segments – were not mentioned prominently by participants. Instead, participants highlighted how a close business relationship with individual customers resulted in drawing up a profile of each individual customer, which in its turn strengthened business ties. Even pertinent probing on ways in which participants ensured the existence and the value of selected market segments did not yield clear answers. Revisiting the transcripts made it clear that the selection of market segments would not have been done if a segment was not economically viable.

"…if you see it is a very small market or there is a lot of other people (competitors), we will obviously not worth spending time on that. Yes, it is in the end financial factor."

"I just refer back to the major 4 domains I mentioned earlier, the business intelligence and the telecoms are probably two of those four where there is where much more money is in circulation – so much more money available to us, there is where we shifted our focus."

"If is not scalable we will not pursue the opportunity."

Market segments are easier to define in a business-to-business marketing environment than in a business-to-consumer marketing environment where marketers often spend more time to validate segments, using psychographic and other segmentation criteria that are more difficult to define. In the business-to-business marketing milieu, industry types and other standard industrial classification systems are used to identify potential markets; it is much easier to gauge the market potential by just looking at the number of customers in a chosen market segment. A practical example is the selecting of specific government departments from a total pool of national government departments. Managers know beforehand how many potential customers (departments) there are. They also have a good idea of the needs for their products and services (based on the function of the government department), the size of departments and the geographic distribution of offices. By using their business acumen, decisions can be made about targeting specific departments.

Stage 2: Target

While Dibb and Simkin (2008) defined the targeting strategy as taking decisions on the number and nature of market segments to target, this decision was mostly motivated by the case study organisations' own capability and the need to secure more income. Participants seemed to target those segments with a need for their products and services, while developing the capacity to properly service the needs of the customers in the target segments on the go. Products, services, skills, resources and other strengths were developed based on the needs of customers. As such, much of the growth of participating case study organisations was organic.

Targeting decisions were focused on selecting specific customers in each segment rather than on selecting market segments to target as suggested by Dibb and Simkin (2008) in Figure 6.2. As strengths developed, more customers were targeted. As products and services improved, other market segments were targeted, based on the same principle of matching products and services with market segments (and customers) with an obvious need for the innovation. Even in cases where a potential customer approached them, the opportunity was weighed against their ability to serve the customer. The overriding condition was to get profitable sales from a segment (and the individual customers targeted in a segment). In that sense, all participating case study organisations were guilty of what Dibb and Simkin (2008) described as a “scatter gun approach” to marketing and sales programmes. This refers to using a general *marketing* approach to cater for dissimilar customers. As such the participating case study organisations did not demonstrate the level of marketing sophistication that researchers and authors of market segmentation theory envisage. What was evident was the detailed adaptation of a service to suit the needs of individual customers.

Stage 3: Position

Positioning in a marketing context is described as a process of creating a specific favourable image for a product/service in the minds of target customers (Dibb *et al.*, 2012). It concerns the creation, communication and maintenance of distinctive differences that will be valued by target customers (Wirtz, 2017). It requires an in-depth understanding of customers’ preferences and how they interpret value. Managers must also be aware of how the positioning adopted compares to that of competitors. According to Wirtz (2017), price and product/service attributes are most often used to develop a positioning strategy. In a services marketing context, service process, service staff and a favourable services environment are often visible in crafting positioning strategies. More sophisticated organisations’ positioning strategies will show positioning maps that indicate the relative position of an organisation to that of competitors. In marketing literature, positioning maps are also referred to as perceptual mapping (Dibb *et al.* 2012). In Poland, for instance, food retailers started using positioning to create a competitive advantage in the organic, fair trade, original source, traditional and sport enhancing food market (Śmigielska and Stefańska, 2017). The positioning maps for retailers in Poland changed over time (Śmigielska and Stefańska, 2017). Years ago, a competitive advantage could be formulated with positioning features such as convenience of store location, depth and width of product range and product/service quality. As retailers increasingly went online, all these positioning advantages had to be reconfigured to represent advantages more suited to the needs of modern-day online shoppers. Figure 6.3 explains the positioning map concept graphically.

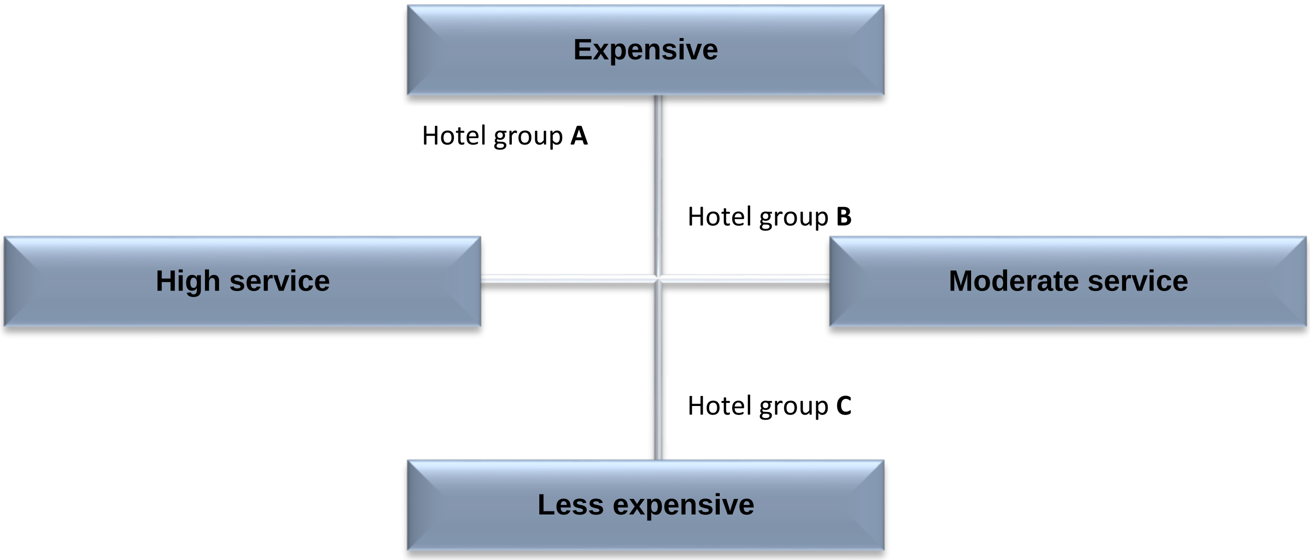

Figure 6.3: An example of a positioning map

Source: Adapted from Wirtz (2017)

Figure 6.3 shows that the management teams of Hotel group A, Hotel group B and Hotel group C have different positions based on their respective perceptions of the market. Positioning is decided on deliberately by a management team to be able to distinguish the marketing value offered by one hotel group from that of competitors. A positioning strategy is a powerful motivation for organisations that cannot afford to rely on price as a strong positioning attribute (Fischer, 2014). Carving a positioning statement that speaks to the hearts and minds of customers allows for a marketing communication strategy that can stand out from that of competitors. When positioning is executed well, it can isolate the organisation in the minds of its customers compared to competitors based on the uniqueness of what the organisation brings to the market (Sirobaba, Cherednichenko and Tiukha, 2014). An organisation needs to set itself apart from its competitors and a positioning strategy (as the last stage in the segmentation, targeting and positioning process) is the way to do it - product/service attributes and features are identified that are superior to those of competitors and desirable to target customers. While only partly under the control of marketers, positioning frameworks can be better grasped through in-depth (mostly qualitative) understanding of customer expectations that can be used to formulate the positioning features used on the axis of the map.

Analysing data from participants indicated that management teams from the case study organisations had a tenuous grasp of the science of marketing positioning. Even when probed for information about their own uniqueness in the market and what made them stand out in the minds of customers, they reverted to mentioning superior service as the strongest defence against competitor activity. There was no evidence of a sophisticated understanding of their own marketing offering three-dimensionally against that of competitors and in relation to market requirements. As such, the opportunities for capitalising on creating a strong position vis-à-vis competitors were lost.

Relying on the ability to understand and adapt to customer needs (almost to the point of being fanatic), participants intuitively acknowledged the market segmentation process introduced by McDonald and Dunbar (2004). Building on the sacrosanct marketing principle of understanding customer needs, they developed a needs-based market segmentation approach. In their approach McDonald and Dunbar (2004) postulated that market needs should be subordinated to every market segmentation base - such as geographic, demographic, psychographic and benefit segmentation. In the quest to find answers to the main research question, the reality of how marketing practitioners segment markets is compared to McDonald and Dunbar's suggested approach.

For ease of reference, the process as depicted in Figure 3.4 (Chapter 3), is repeated in Figure 6.4.

Stage 1: Understand the market and how it operates
Step 1 – Draw a market map Provide a structure of the market and identify decision-makers
Stage 2: Understand customers and transactions
Step 2 – Who buys?
Step 3 – What is bought?
Step 4 – Understand who buys what Which customers buy and how much do they buy?
Stage 3: Segment the market
Step 5 – Understand why it is bought? What are customers' needs?
Step 6 – Start forming segments Combine customers based on the similarity of their needs
Step 7 – Verify the segments Do a reality check
Stage 4 – Verify segment attractiveness
Steps 8 to 11 – Market targeting and selection Set market attractiveness criteria, weigh criteria, score criteria and calculate market segment attractiveness and select target markets
Stage 5 – Rate own competitiveness
Determine company strength by segment

Figure 6.4: The market segmentation process (McDonald and Dunbar)

Source: McDonald and Dunbar (2004)

Findings from marketing practitioners are compared for each stage.

Stage 1: Understand the market and how it operates

Step 1 in this stage suggests a thorough grasp of the structure of the market and the decision makers in the market. This requires marketers to evaluate their current markets and understand the flow of goods from marketers (the supplier of products/services) to the market and the flow of money from the market to the supplier company (the distribution channels and key actors in the supply chain). McDonald and Dunbar (2004) propose that this is done to understand the influencers of the decision to buy from a marketer and the obstacles to market access. From the interviews it was evident that the markets were not understood prior to segmentation to the extent suggested by McDonald and Dunbar (2004). Participants selected markets based on management agreement on whether the market was likely to purchase the products/services provided. Key decision makers were identified as information on the market and individual customers deepened over time. One participant related their experience as frustrating until they realised that one of the critical obstacles faced by them to break through in the tender market was a tax clearance certificate. Had they taken the time to understand this obstacle up front, they would not have had to allocate costly resources to tender processes without this crucial document.

It must be added that in many instances reflected on during the interviews the purchasing situation entailed developing and delivering a tender document. As such, the focus was on the technical requirements of the tender document. In a tender business context, it is considered ***not*** ideal to try to get to know the decision makers better beforehand. In the context of a South African economy that is severely troubled by unethical and corrupt behaviour in the political and business spheres, familiarising yourself with a customer before a tender is awarded may be regarded in a negative light. Any attempt to build a relationship with key decision makers during the tender preparation phase could be interpreted as unethical conduct. Immediately after a tender had been awarded, time was dedicated to get to know decision makers. Stories often highlighted the commitment to exploring customers' needs to fine-tune a product/service offering. That was always after the formal commencement of a business relationship.

Not all commercial activities were based on tender business. Marketers from the case study organisations would initially take their products and services to markets which they thought would be a natural match for what they provided. Once the market had been entered, more opportunities in a segment would be explored. More opportunities could be more customers in a market segment, more products and services sold to existing customers and modifications to existing products/services to suit changing or newly uncovered needs from existing customers. Narrated practical experiences further pointed to situations where market needs and markets were identified by accident.

"SA Tourism have all the information. They invited us to go along with them." (This was a new opportunity to enter the Japanese tourism market to South Africa. If they had not been invited to the Japanese tourism expo by SA Tourism, they would not have considered this opportunity.)

"…constantly talking what's happening, what we think and sometimes have conversations, ideas on the table and nobody knows where to go with it and three days later get together, talk about it again, not have answer yet, and go out and maybe someone's friend says something and then things come together. Informal, continuous process, but once in, will get formalized."

"…problem with Department of Agricultural who has to track everybody with a fishing licence. While all were looking at a device, while we looked at technology. And today we are one of three international acclaimed service providers to DAF worldwide – just because somebody from a thought process have the building blocks…" (A staff member happened to hear about this opportunity during a conversation and it turned out to be a dedicated product/service for specific application which they could develop for a specific market segment.)

It frequently happened that management (or someone else in the organisation) heard about a possible opportunity by chance. If the opportunity was regarded as economical by the management team and they had the capability, it would be pursued. Once a customer had been confirmed, attention would turn to possible other customers in the same needs-based market segment. As such, the discipline advocated by McDonald and Dunbar (2004) was followed to a certain degree regarding key decision makers. While their recommendation was to identify key decision makers in a supply chain, this was not evident in the interviews conducted for this study. Key decision makers identified were limited to each customer company, and did not include other influencers in the supply chain, such as agents, distributors, consultants or anyone else who might influence the flow of information and money between a customer and a marketer (McDonald, 2007). True to business-to-business marketing contexts, there could be multiple key decision makers in any one organisation. There would typically be a team of knowledgeable persons who participated in the buying decision from their technical, financial or other required expertise perspective. Participants did relate how much effort went into this part of the suggested market segmentation process after a business relationship had started.

Stage 2: Understand customers and transactions

Steps 2 and 3 – Understand who buys and what is bought. When relating their marketing approach when participating in a tender process, participants mentioned that the actual buyers were not identified. It could have been regarded as unethical business practice if managers wanted to get to know the individuals who bought in that context. Understanding what was bought would be part of the technical requirements of a tender, meaning this was done by default. The same would also be true for step 4 – Understand who buys what and how much they buy.

Unfortunately gaining market knowledge before segmenting the market as prescribed by McDonald and Dunbar (2004) was also not clear from responses. Even when prompted on ways that the target market segments were qualified and how attractiveness was determined, participants' responses indicated a limited understanding of more methodical approaches based on the theory. In the absence of such actions, segment attractiveness was continuously confirmed through ongoing and regular discussions amongst management team members. All participants related how they had regular meetings in which, inter alia, the profitability of individual customers was reviewed. There was little evidence of substantial efforts to understand the risks of targeting specific segments and specific individual companies in target segments or of the use of pre-selection criteria such as identifiability, sustainability, accessibility, responsiveness, stability and actionability as a set of segment verification norms. Although widely suggested by authors such as Dibb and Simkin (2010) - well-known market segmentation authors and researchers - and Armstrong *et al.* (2017) -well-known marketing authors and researchers - the most prominent evidence of using these criteria was found in identifying market segments and being able to access them. In a way, when market segments were identified and deemed accessible, responsiveness (the favourable response from customers in a market segment to the marketing proposition) was assumed. An aspect that was mentioned several times during the discussions was the extraordinary ability of all research participants to respond to market needs and changes in market needs. This applied to changes in business processes, in staff training and in the alignment of organisational resources to meet market requirements. The ability to meet the technically difficult terms of tender documentation provided one participant with a competitive advantage.

Stage 3: Segment the market

Step 5 (understand why customers buy) was an important theme throughout the data collection discussions. Needs were both overarching (becoming a more efficient and effective organisation) and secondary. The higher order needs - increasing customer efficiency, reducing risk and making it easier for customers - were well-understood. The detailed individual needs for each customer were also understood and adhered to. As mentioned before, changes in the way needs were responded to often led to new marketing opportunities. The sophistication implied by McDonald and Dunbar (2004) - extrapolating a need across industrial sector-based market segments (such as the government sector as a segment) to focus on a need as the qualifier for a segment - was not evident. While McDonald and Dunbar (2004) concentrated on selecting segments on needs (and needs alone), respondents tended to segment according to industry classification. According to McDonald and Dunbar (2004), companies failing to keep to this basic market segmentation rule exclude many opportunities for selling outside an industrial sector boundary. This was probably most vividly described by one participant who happened to stumble across an application of their technology that was completely outside their defined industry segment.

"The same technology for a trailer is used in buoys, but the application of the same technology makes it cheaper for the application for the buoy."

Another described how an organisation asked for different services related to travel management. Customers needed the expertise but applied in a slightly different context. A third participant mentioned how they happened to stumble across a need for their service that was completely outside the historical boundaries of the markets that they served. As such, all the participants indicated accidental changes in market focus, brought about because other industries required their expertise. Thus, it can be inferred that none of the participants followed step 6 in the McDonald and Dunbar (2004) needs based segmentation model, i.e. to segment the market by combining customers based on the similarity of their needs. Adopting such an approach could nullify market segments that were defined by type of industry, purchasing approach, company size or any other segment base that was suggested by marketing strategy researchers and authors.

Verifying selected segments (Step 7) includes activities such as determining the volume or value of potential sales, differentiating marketing propositions for different segments and assessing the reachability and compatibility of different segments; these were not part of the stories related during interviews. As mentioned above, once market segments had been identified and deemed accessible, responsiveness to products/services offered was assumed. All participants related experiences of merely developing the ability to align resources with identified customer needs.

Stage 4: Verify market segment attractiveness

The discussions yielded very little evidence of the verification of choices to target customers in a specific market segment. The formal approach suggested by McDonald and Dunbar (2004) consists of activities (steps 8 to 11) which include setting attractiveness criteria, weighing criteria, scoring criteria and calculating market segment attractiveness. Once again, there was a strong emphasis on financial viability as the primary guide for market segment attractiveness. If a client was becoming financially less viable due to becoming less profitable or delayed payments, the business relationship was terminated. In only one instance was a business relationship terminated due to incompatible differences in organisational values.

Stage 5: Rate own competitiveness

This activity (step 12 in the process) correlates with the ability to adapt to changes in market needs. Adaptation is multi-faceted and can involve the size (ability), products and services, technical skills and other factors. According to participants prodigious amounts of energy were spent on adapting to customer needs. Their interpretation of their competitiveness was based on how they managed to grow financially and otherwise, how long they had been in business (twenty years and still going) and how frustrated competitors were because they could not reach the same levels of expected service excellence. There was no evidence of a more formalised competitiveness ranking, such as relative competitive scores reflected in a directional policy matrix (McDonald and Dunbar, 2004).

"In the last couple of years where they (a lost client) *have appointed another travel management company and that company couldn't handle them and all of a sudden we got all of that business back. Our thing is that we never burn our bridges, even if you move away."*

I have positioned the business – we have done over 210 tenders in the last twelve months, but of those we won over 60 (it is a 30% hit rate); there are 47 pending (sitting with them) and 17 shortlisted, that I have presented to the team, just waiting for letter to say yes or no. Competitor wise, they hate us. All say we are well connected, but we are not at all, we do not give gifts, we sleep at night. We do our tenders and if mine make it ok if not also okay. It is our integrity – that is who we are."

Verification of market segment attractiveness and rating their own competitiveness were used as the mirrors which reflected marketing practitioners' stories about their approaches to market segmentation. Although there were instances where practitioners followed theoretical suggestions, this seems to have happened by business acumen intuition rather than discipline.

6.4 Conclusions

The conclusions will be discussed relative to the objectives of the research. The primary research question and the research objectives, as stated in Chapter 4 (research design), are replicated here for ease of reference.

The research question is stated as follows:

"While marketing theory suggests that market segmentation is a determinant of marketing success, it is not clear to what extent marketing decision makers share this sentiment, particularly in a business-to-business marketing context."

It is concluded from the findings that marketing practitioners value market segmentation. It is further concluded that marketing practitioners deviate in their approach to market segmentation from the approaches propounded by market segmentation researchers and publishers – thus current theory. Market segmentation strategies seem to follow a strategy-as-practice approach based on patterns emerging from experimentation and discussion. Market segmentation strategy was not a top down process of analysis, strategy development and implementation, but rather a more complex and emergent process developed throughout these organisations with the participation of many management members. This view of strategy was addressed by Paroutis, Heracleous and Angwin (2016) in their discussion on practising strategy.

It is further concluded that there may be alternative models to those available from researchers and accepted as theory to explain market segmentation.

Conclusions will be discussed for each research objective.

Research objective 1. To understand the process that marketing practitioners apply when executing market segmentation in practice.

From the process explained by research participants, it is concluded that their approach deviates from the classic marketing theory of first understanding market needs and then responding to them. All participants from the three case study organisations explained how they followed the process as bulleted below:

- Go to market segments with an existing product/service. The selection of a market segment was based on a combination of management intuition about the acceptance of a product/service in the market segment and probable financial return.

- Once sales have been realised and a business relationship has started to develop, use the knowledge gained from interaction with clients about their needs to modify existing products and services or create new products and services.
- Use innovations to develop new markets.

It is concluded that market segmentation was based on finding suitable markets for existing products and services. While sales were grown in selected market segments, there was concurrent and consistent innovation to increase existing marketing value.

Research objective 2. To establish the value that market segmentation theories provide for marketing practitioners when they execute market segmentation in practice.

From the information shared it is concluded that marketers did not gain much value from market segmentation theories in deciding on a market segmentation strategy. Basic theoretical aspects, such as using geographical, firm demographics and other segmentation bases were applied intuitively, rather than by following a specific format suggested by market segmentation theory. More sophisticated concepts of market segmentation theory, such as confirming market segments through research data enquiry and establishing the viability of segments by using market segmentation criteria (identifiability, substantiability, accessibility, responsiveness, stability and actionability) were mostly foreign to participants. Decisions to target, expand, withdraw or strengthen capacity in any market segment were mostly based on the management aptitude of a management team.

Research objective 3. To establish what marketing practitioners would like to get from market segmentation theory that will make practical sense from an implementation perspective.

From experiences shared, it was concluded that marketers needed a less complex explanation of market segmentation than existing theories. Market segmentation theories could also take into consideration practical management expertise and flair when suggesting market segmentation approaches. Market segmentation theories that make practical sense will have to address the overarching principle of economic viability. They further need to appeal to an ingrained entrepreneurial and managerial flair and should be easy to interpret and implement.

From the differences in approach outlined by market segmentation researchers and authors, it was concluded that there is no self-evident, single, easy to follow theory that managers could apply.

Research objective 4. To establish the roles that influencers play in deciding on a suitable market segmentation strategy.

It was evident that managers relied on each other to continually discuss the viability of targeting a market segment and individual customers in a market segment. When prompted on the impact of outside influencers, it was clear that managers consulted each other when making decisions on market segmentation. The most important influencer for decisions about market segmentation was economic. From this perspective, the financial viability of targeting a market (and specific customers in a target market) balanced with their ability to serve the needs of target customers were key considerations. If these were in place, it made a good argument for pursuing the opportunities in a market segment.

Figure 6.5 depicts the influencers of market segmentation and market targeting decisions.

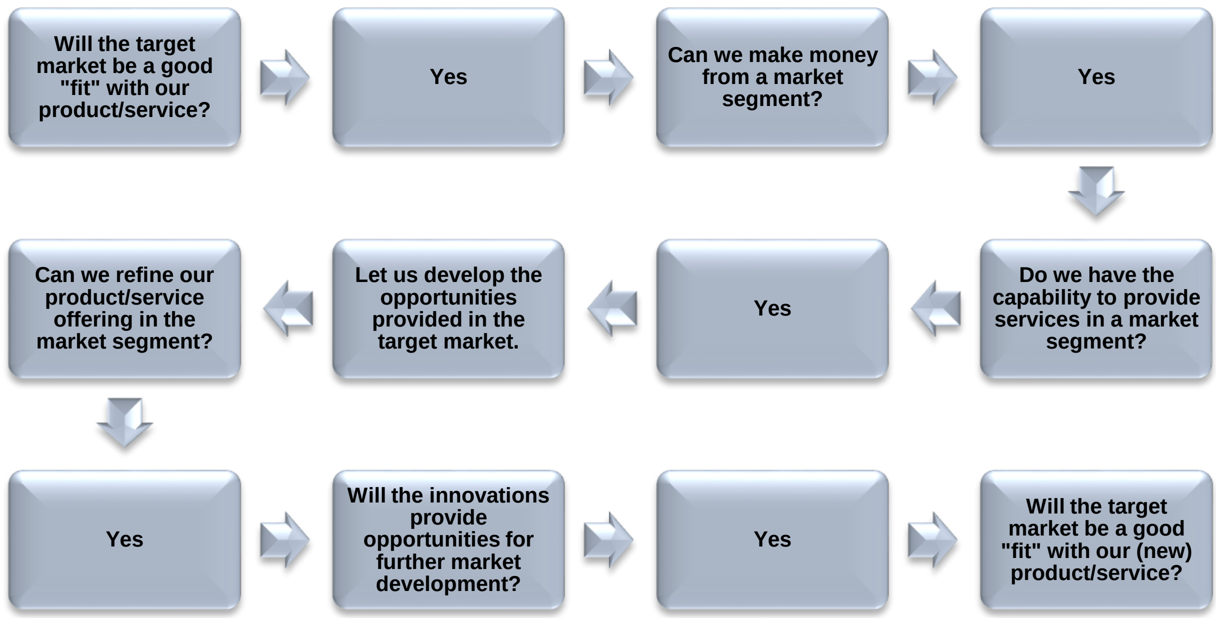

Figure 6.5: Influencers for selection of market segments

Figure 6.5 indicates an iterative feedback loop between the first action and the last. The question “Will the target market be a good “fit” with our product/service” kickstarts the market segmentation thinking process. It is also the last question asked in the next round of decisions about market segment choices.

From the feedback gained from interviews, it can be concluded that little attention was paid to outside influencers, such as business consultants, service suppliers or others.

While mention was made of ad hoc participation in generic business strategy or marketing strategy by outside influencers, this was more the exception than the rule. The accountability for decisions taken about markets, services, marketing to segments and so forth, stayed with the management team. Examples of ad hoc participants are facilitators for strategy sessions and advertising agencies which delivered specific agreed services.

Research objective 5. To establish the network that marketing practitioners must manage/influence to implement market segmentation.

Responses to questions relevant to this objective highlighted implementation barriers faced by managers. An aspect that stood out from all participants is how closely management teams cooperated in marketing to segments. Information about the status of individual customers in market segments was shared formally during weekly meetings, quarterly review meetings and other formal processes. More important is evidence that management members had ongoing informal discussions regarding opportunities, marketing, markets, customers, adjustments to products and services required to meet changing market needs - changes necessitated by macro-economic influencers such as opportunities created through new technology and changes necessitated by competitive activity. The context for the case study participants is that they were medium sized, privately owned companies; this generally signals an agile environment when it comes to taking and implementing decisions.

One aspect of the implementation of marketing was the time and effort that went into planning to provide service excellence. Painstaking efforts were made to engage key role players in customer companies. Finally, it was evident that the successful implementation of market segmentation decisions was enabled through close cooperation between management team members and key role players in customer companies.

Research objective 6. To establish the perceived benefits that marketers gain from market segmentation - benefits such as deeper customer insights that pave the way for market segment domination, unique customer relationships and the overriding advantage of making money from their efforts.

Market segmentation provided focus. Focus afforded the opportunity to refine marketing value propositions. Refining marketing value propositions was done through ongoing consultation with customers. Customers' needs informed changes in marketing value propositions. This in turn led to an increased ability to generate competitive advantage. It can therefore be concluded that the focus that was forced through market segmentation triggered a domino effect of benefits that resulted in continuous improvement and stable financial growth.

Research objective 7. **To establish the adjustments that marketing practitioners must make to overcome implementation barriers suggested from theoretical frameworks.**

From the findings it was clear that participants did not follow any clear theoretical guideline concerning market segmentation strategy planning and implementation. As such, adjustments were not made to any theoretical frameworks. This does not mean that no framework was followed. What came from participants' accounts were summarised in Figure 6.5. The pattern that emerged supports the opinions of Paroutis *et al.* (2016), who quoted strategy researchers such as Mintzberg and Jarzabkowski to the effect that strategy is more than an intended outcome of a prescribed process. It is rather an organisation-wide phenomenon recognised through a complex, bottom-up approach that has permeated the culture of an organisation. Apart from ongoing adjustments to accommodate changes in technology and market needs, specific adjustments were made to resources to meet market segment needs. These adjustments included, for instance, staff appointments, staff training and organisational orientation.

It can therefore be concluded that participating case study organisations made very specific adjustments to accommodate the implementation of the market segmentation decisions.

Research objective 8. Establish the most important reasons why marketers use market segmentation as part of their marketing strategy.

As already mentioned under the conclusions drawn from the findings of research objective 5, there were commonalities between the findings from research objective five and research objective eight. One was the focus on selected market segments to sell products. From there the benefits of segmentation escalated to refining products and services according to emerging market needs (as the business relationships matured), selling more products and services to their existing market segments and then extending the sales of products and services to new market segments.

It can therefore be concluded that market segmentation was initially done to pair markets with existing products and services to generate sales. From the experiences shared by participants, it can further be concluded that the market segmentation decisions that followed were taken for the same reason – to generate sales in markets with a natural (intuitive) fit for the products and services provided.

6.5 Implications of findings

The implications will be discussed on two levels. The first will address a market segmentation approach based on the practice as explained by the participants. This approach is by no means meant to replace any other approach suggested, but merely to indicate how market segmentation is executed in practice by managers in a business-to-business marketing setting in a South African context.

The second level of implications is based on attempting to integrate the suggested approach with practices proposed by respected researchers and authors of market segmentation theory and models. Additional recommendations will be made for further research.

6.5.1 First level implications

From the discussions it was clear that the market segmentation, however rudimentary, was meant to match chosen markets with existing products and services. From there, the market segmentation process escalated to the development of profitable customer relationships and then the development of new market opportunities. Figure 6.6 gives a schematic representation of the recommended process that was derived from the research and will be discussed below.

Stage 1: Match a selected market segment with an existing product/service
Step 1 – Decide on the market segment(s) for which there is a natural fit between needs and current products/services Step 2 - Select specific customers from a segment that will be targeted Step 3 - Develop key accounts management relationship with selected customers
Stage 2: Develop profitable relationships
Step 1 – Refine product/service to match detailed customer needs Step 2 – React to different needs from customers by developing new products and services to suit their requirements Step 3 - Ensure that technologies, staff competencies and other resource requirements meet customer needs. Integrate own capability with customer operations wherever possible
Stage 3: Find new markets for refined products and services
Step 1 – Select specific customers in the new market segment to target Step 2 – Start a process of key accounts management with target customers Step 3 - Refine products and services to meet detailed and changing customer needs Step 4 - Investigate possibilities to sell enhanced products and services to new markets

Figure 6.6: Stages and steps in market segmentation process (post hoc research)

Stage 1 – Match a selected market segment with an existing product/service.

Step 1. Decide on the market segment(s) for which there is a natural fit between needs and current products/services. The management team should agree on the best fit between the products and services that are offered and the market segments which have a defined need for it.

Step 2. Select specific customers from a segment who will be targeted. This decision is based on a strategic insight that could include aspects of own capacity to service selected customers.

Step 3. Develop key accounts management relationships with selected customers.

Initial sales are followed by a process of customer relationship management. The objective is to build a relationship to gain a competitive advantage and to develop integrative key account management relationships in general.

Stage 2 – Develop profitable customer relationships.

Step 1. Refine product/service to match detailed customer needs. In this regard, the competitive advantage gained through the key accounts relationship should be leveraged to obtain insider details of customer needs and capitalise on them.

Step 2. React to different needs from customers by developing new products and services to suit their requirements.

Step 3. Ensure that technologies, staff competencies and other resource requirements can meet customer needs. Integrate own capability with customer operations wherever possible.

Apart from attaining a competitive advantage, another positive outcome of refining and developing products and services to suit changing needs is that these products and services could also be offered to new market segments. From the research, it emerged that new applications and technologies unlocked new opportunities.

Stage 3 – Find new markets for refined products and services.

Step 1. Select specific customers in the new market segment to target.

Step 2. Start a process of key accounts management with target customers.

Step 3. Refine products and services to suit changing customer needs.

Step 4. Investigate possibilities to sell enhanced/modified products and services to new markets.

It is assumed that there is ongoing deliberation amongst managers about opportunities to expand. It was evident from the data that an important foundation for the success of the process was the constant formal (regularly scheduled meetings) and less formal (chance discussions about business aspects) communication amongst members of the management team. Discussions were based on satisfying market needs, changing resources to meet market needs, adapting to changes in market needs and innovations and how these could be applied to new markets. It should be kept in mind that an overarching theme on the process of market segmentation was identified as “Economic survival”. When revisiting the data gathered during information sharing interviews, this modest three step process was found to be iterative. Repeating the three steps assisted all the participants to focus on their number one need – to become and remain economically sustainable.

The second level of implications is based on attempting to integrate the suggested approach with practices proposed by acknowledged researchers and authors of market segmentation theory and models.

6.5.2 Second level implications

Some market segmentation practices outlined by respected researchers and authors of market segmentation theories should not be ignored. They were meant to strengthen market segmentation practice and ultimately enhance the intended outcome of the market segmentation strategy. The market segmentation models of Dibb and Simkin (2008) and McDonald and Dunbar (2004) are used as sources of information for this suggested integration. Both the models emanating from these well-known researchers of and authors on market segmentation consisted of stages and steps within stages.

The stages and steps suggested by the researchers of the two models are summarised alongside the stages and steps which were found to be part of the process followed by the participants in this study. The tabled summary (Table 6.1) presents a recommended integration of the three approaches.

Table 6.1: A recommended integrated approach to market segmentation

Deductions/Findings from research	Approach recommended by McDonald and Dunbar (2004)	Approach recommended by Dibb and Simkin (2008)	Recommended integrated approach
Stage 1. Match markets with products/services. Step 1. Decide on the market segment(s) for which there is a natural fit between their needs and current products/services. Step 2. Select specific customers from a segment that will be targeted. Step 3. Start a process of key accounts management with selected customers.	**Stage 1. Understand the market and how it operates.** Step 1. Draw a market map to understand the market structure and the decision makers.	**Stage 1. Segment the market.** Step 1. Consider variables. Step 2. Use variables to form segments. Step 3. Examine profile of segments. Step 4. Validate segments.	**Stage 1. Match markets with products/services.** Step 1. Consider variables that will be applied to segment markets. Step 2. Understand the market structure and who key decision makers are. Step 3. Estimate the size of the market – form an idea of market segment attractiveness. Step 4. Select specific customers in the market segment(s) that will be targeted.
Stage 2. Develop profitable customer relationships. Step 1. Refine product/service to match detailed customer needs.	**Stage 2. Understand the customers and transactions.** Step 2. Who buys? Step 3. What is bought? Step 4. Which customers buy and how much do they buy?	**Stage 2. Target.** Step 1. Select targeting strategy. Step 2. Decide which and how many market segments to target.	**Stage 2. Develop and maintain profitable customer relationships.** Step 1. Understand customer needs. Use relationship advantage to understand the

Step 2. React to different needs from customers by developing new products and services to suit their requirements. Step 3. Ensure that new technologies, staff competencies and other resource requirements can meet customer needs. Integrate own capability with customer operations wherever possible.			details of needs that are not obvious to competitors that are not in the business relationship. Step 2. Develop strengths around customer needs that should provide a competitive advantage. Adopt technology, staff competencies and other resources to be able to satisfy needs through continuous product/service innovations.
Stage 3. Find new markets for innovated products/services. Step 1. Select specific customers in the new market segment to target. Step 2. Start a process of key accounts management with target customers. Step 3. Refine products and services to suit changing customer needs.	**Stage 3. Segment the market.** Step 5. Understand customer needs (why they buy). Step 6. Start forming segments. Step 7. Do a reality check.	**Stage 3. Position.** Step 1. Understand customer perceptions of the offering. Step 2. Position the brand in the minds of customers. Step 3. Design appropriate marketing strategies.	**Stage 3. Use the competitive advantage that was created to grow the business.** Step 1. Develop new products/ services for current markets. Step 2. Investigate opportunities to develop new markets. In this regard, applying the needs satisfaction principle without the boundaries of current market segments should guide decisions.

Step 4. Investigate possibilities to sell enhanced/modified products and services to new markets.			
	Stage 4. Verify segment attractiveness. Steps 8 to 11 – Market targeting and selection. Set market attractiveness criteria, weigh criteria, score criteria, calculate market segment attractiveness and select target markets.		
	Stage 5. Rate own competitiveness. Step 12. Determine company strength by segment.		

The recommended integrated approach represents an effort to stay with the relatively unsophisticated market segmentation approach outlined by the participants in this research **– that of relying on management teams' collective business acumen to take decisions about entering a market (or not) through constant discussion and agreement, rather than a more complex risk mitigating analysis process.** Integrating steps from other researchers represents an effort to add important value adding activities that could assist marketing practitioners to get more certainty on the choices made about market segments. These activities include the following:

- Making more conscious decisions about the market segment variables that should be applied. Variables described in market segmentation theory include geographic, business demographics, purchasing approaches and other market segmentation bases that make sense to the management team.
- Getting to know how the market buys. This knowledge could facilitate decisions about entering a market segment. If, for instance, the market buys based on a tender process (as is often the case for public sector and large corporate private sector customers), the risk of allocating resources to the segment can be mitigated by decisions about how to factor in time before being able to approach individual customers in the segment.
- Establishing a sense of market attractiveness by at least getting a better idea of market potential for the chosen segment. This could be a useful insight to guide decisions on the feasibility of committing resources to the development of customer relationships (stage 2).
- In developing profitable business relationships, the marketing organisations automatically position themselves by cultivating a service delivery capability that should guarantee their reputation.

6.6 Suggestions for further research

The research recommendations are by no means regarded as conclusive or representative of either marketing theory or established market practice. They offer an informed understanding of market segmentation approaches based on shared practice. The shared practice of participants in this study clearly deviates from approaches proposed by authors on market segmentation. This analysis meets the requirement of answering the primary research question about marketing practitioners' perceptions of using current market segmentation theory to segment markets.

Since these research findings have not yet been widely tested for acceptance or support in the marketing practice fraternity, the following research avenues are suggested to further develop the school of thought and the application of marketing strategy in practice:

- The research findings and recommendations regarding an integrated market segmentation approach should be tested on a broader marketing practice fraternity. The objective of this recommended research is to test to what extent the recommendations will be accepted in a broader marketing community.
- It must be kept in mind that these research findings were based on a very specific context. Participants were selected because they were all doing business in a business-to-business marketing context. As it happened, they were all medium sized businesses. They all shared the benefit of active, close and continuous cooperation amongst members of the management team. Research recommendations should therefore also be tested in the contexts of small and large businesses. Small business owners are often the only managers and need to take strategic, marketing, operational, human resource utilisation and other decisions by themselves. Their approach to market segmentation could be different, based on their peculiar context.

  Management teams in large corporate organisations are often isolated in their strategic and operational tasks. Working in silos could mean that they don't have the benefit of working together in the same close team environment as the participants in this study. This could influence their approach to market segmentation decisions and how they are managed in their specific circumstances.

- Since this research was steeped in a business-to-business marketing context, it is self-evident that the practice-based approaches followed by business-to-consumer marketers could be different. For instance, changes in the vast amounts of consumer data may have a profound effect on the way that markets can be segmented. It is therefore recommended that research is undertaken to test the acceptance of market segmentation as a marketing principle and marketing theory as a methodology to segment markets. A possible research question for this context could be framed as follows:

  "While marketing theory suggests that market segmentation is a determinant of marketing success, it is not clear to what extent marketing decision makers share this sentiment, particularly in a business-to-consumer marketing context."

  At its core this research attempted to provide more insight into the often expressed theory-practice divide that was articulated by researchers like Dibb and Simkin (2009) and Dolnicar and Lazarevski (2009). While this study provided a window to the world of marketing practitioners in their effort to make sense of the crucial strategic practice of isolating a segment of a large market to focus on, it remains an enigmatic phenomenon. This research indicated aspects of the practice side of the theory-practice divide. It attempted to provide another perspective to existing insights – but it by no means completely bridged the divide.

References

Van Aardt, C. J. (2014) *Macroeconomic, sectoral and subsectoral trends and patterns in South Africa with specific reference to the performance of JSE-listed enterprises by subsector.* South Africa: Bureau of Market Research, UNISA.

Alvarez, C. M. O., Dickson, P. R. and Hunter, G. K. (2014) 'The four faces of the Hispanic consumer: An acculturation-based segmentation', *Journal of Business Research*. Elsevier Inc., 67(2), pp. 108–115. doi: 10.1016/j.jbusres.2012.11.010.

American Marketing Association (2015).

Amerson, R. (2011) 'Making a case for the case study method.', *Journal of Nursing Education*, 50(8), pp. 427–428. doi: 10.3928/01484834-20110719-01.

Andronikidis, A. I. and Dimitriadis, N. I. (2003) 'Segmentation of Bank Customers by Utilising Ethnic/Cultural Profile Dimensions: A Qualitative Approach', *Journal of Marketing Manageme*, 19, pp. 629–655.

Aram, J. D. and Salipante, P. F. (2003) 'Bridging Scholarship in Management: Epistemological Reflections', *British Journal of Management*, 14(3), pp. 189–205. doi: 10.1111/1467-8551.00374.

Ardley, B. (2006) 'Telling Stories about Strategies: A Narratological Approach to Marketing Planning.', *The Marketing Review*, 6(3), pp. 197–209. doi: 10.1362/146934706778605296.

Armstrong, G. and Kotler, P. (2015) *Marketing. An introduction*. Essex, England: Pearson.

Armstrong, G., Kotler, P. and Opresnik, M. O. (2017) *Marketing. An Introduction*. 13th edn. Essex, England: Pearson Education Limited.

Atik, D. and Firat, A. F. (2013) 'Fashion creation and diffusion: The institution of marketing', *Journal of Marketing Management*, 29(7–8), pp. 836–860.

Avlonitis, G. J. and Gounaris, S. P. (1999) 'Marketing orientation and its determinants : an empirical analysis', *European Journal of Marketing*, 33(11/12), pp. 1003–1037.

Bailey, C. R. *et al.* (2009) 'Segmentation and customer insight in contemporary services marketing practice: Why grouping customers is no longer enough', *Journal of Marketing Management*, 25(3), pp. 227–252. doi: 10.1362/026725709X429737.

Baines, P. R. *et al.* (2005) 'Product Attribute-Based Voter Segmentation and Resource Advantage Theory', *Journal of Marketing Manageme*, 21, pp. 1079–1115.

Baker, M. J. (2001) 'Selecting a Research Methodology', *Marketing Review*. Westburn Publishers Ltd, 1(3), p. 373. Available at: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=5775821&site=ehost-live&scope=site.

Baker, M. J. and Hart, S. J. (2008) *The Marketing Book*. 6th edn. Oxford, UK.: Butterworth-Heinemann.

Baker, M. J. and Saren, M. (2010) *Marketing Theory. A student text.* London: Sage.

Barnett-Page, E. and Thomas, J. (1986) *Methods for the synthesis of qualitative research: a critical review.*, *Evidence for Policy and Practice Information and Co-ordinating (EPPI) Centre*. doi: 10.1186/1471-2288-9-59.

Barry, J. and Weinstein, A. (2009) 'Business psychographics revisited: from segmentation theory to successful marketing practice', *Journal of Marketing Management*, 25(3–4), pp. 315–340. doi: 10.1362/026725709X429773.

Begg, D. and Ward, D. (2013) *Economics for Business*. 4th edn. Maidenhead: McGraw-Hill Education.

Beltagui, A., Candi, M. and Riedel, J. C. K. H. (2016) ‘Setting the stage for service experience: design strategies for functional services’, *Journal of Services Management*, 27(5), pp. 751–772. doi: 10.1108/JOSM-08-2015-0234.

Best, R. J. (2013) *Market-based Management*. 6th edn. Upper Saddle River, New Jersey: Pearson Education Incorporated.

Bhatnagar, A. and Ghose, S. (2004) ‘A latent class segmentation analysis of e-shoppers’, *Journal of Business Research*, 57, pp. 758–767. doi: 10.1016/S0148-2963(02)00357-0.

Biggam, J. (2010) *Succeeding with Your Master’s Dissertation. A Step-by-Step Handbook.* Berkshire: Open University Press.

Bock, T. and Uncles, M. (2002) ‘A taxonomy of differences between consumers for market segmentation’, *International Journal of Research in Marketing*, 19, pp. 215–224.

Boejgaard, J. and Ellegaard, C. (2010) ‘Unfolding implementation in industrial market segmentation’, *Industrial Marketing Management*. Elsevier Inc., 39(8), pp. 1291–1299. doi: 10.1016/j.indmarman.2010.06.004.

Bradley, P. S. and Fayyad, U. M. (1998) ‘15th International conference on Machine Learning.’, in *Refining initial points for K-means clustering.*, pp. 91–99.

Braun, V. and Clarke, V. (2006) ‘Using thematic analysis in psychology’, *Qualitative Research in Psychology*, 3(2), pp. 77–101.

Bree, R. and Gallagher, G. (2016) ‘Using Microsoft Excel to code and thematically analyse qualitative data: A simple, cost-effective approach’, *All Ireland Journal of Teaching and Learning in Higher Education*, 8(2), pp. 2811–28114. Available at: http://ojs.aishe.org/index.php/aishe-j/index.

Brotspies, H. and Weinstein, A. (2019) ‘Rethinking business segmentation: A conceptual model and strategic insights’, *Journal of Strategic Marketing*. Routledge, 27(2), pp. 164–176. doi: 10.1080/0965254X.2017.1384750.

Brown, B. and Sikes, J. (2012) *Minding your digital business*. New York.

Campbel, A. *et al.* (2014) *Strategy for the Corporate Level*. San Francisco, USA: Jossey-Bass.

Cannon, H. M. and Yaprak, A. (2011) ‘A dynamic framework for understanding cross-national segmentation’, *International Marketing*, 28(3), pp. 229–243. doi: 10.1108/02651331111132839.

Cant, M. C., van Heerden, C. H. and Ngambi, H. C. (2010) *Marketing management. A South African Perspective*. Cape Town, South Africa: Juta & Co. Ltd.

Carles, J. and Costa, C. (2013) ‘Price formation and market segmentation in seaside accommodations’, *International Journal of Hospitality Management*, 33, pp. 446–455. doi: 10.1016/j.ijhm.2012.11.004.

Casabayó, M., Agell, N. and Sánchez-Hernández, G. (2015) ‘Improved market segmentation by fuzzifying crisp clusters: A case study of the energy market in Spain’, *Expert Systems with Applications*, 42(3), pp. 1637–1643. doi: 10.1016/j.eswa.2014.09.044.

Christensen, C. M., Cook, S. and Hall, T. (2005) ‘Marketing Malpractice. The Cause and the Cure’, *Harvard Business Review*, (December), pp. 74–83.

Clarke, A. H. and Freytag, P. V (2008) ‘An intra- and inter-organisational perspective on industrial segmentation’, *European Journal of Marketing*, 42(9/10), pp. 1023–1038. doi: 10.1108/03090560810891127.

Clarke, V. and Braun, V. (2013) ‘Teaching thematic analysis: Overcoming challenges and developing strategies for effective learning’, *The Psychologist*, 26(2), pp. 120–123. doi: ISSN 0952-8229.

Cleveland, M., Papadopoulos, N. and Laroche, M. (2011) ‘Identity, demographics, and consumer behaviors. International market segmentation across product categories’, *International Marketing Review*, 28(3), pp. 244–266. doi: 10.1108/02651331111132848.

Colon, G. (2019) *Disruptive Marketing. What Growth Hackers, Data Punks, and other Hybrid Thinkers can teach us about Navigating the New Normal*. New York: American Management Association.

Coussement, K., Van Den Bossche, F. A. M. and De Bock, K. W. (2014) ‘Data accuracy’s impact on segmentation performance: Benchmarking RFM analysis , logistic regression , and decision trees’, *Journal of Business Research*. Elsevier Inc., 67(1), pp. 2751–2758. doi: 10.1016/j.jbusres.2012.09.024.

Cravens, D. W. and Piercy, N. F. (2013) *Strategic marketing*. New York: McGraw-Hill.

Creswell, J. W. (2015) *A Concise Introduction to Mixed Methods Research*. Thousand Oaks, California: SAGE Publications, Inc.

Cuadros, A. J. and Domínguez, V. E. (2014) ‘Customer segmentation model based on value generation for marketing strategies formulation’, *Estudios Gerenciales*, 30(130), pp. 25–30. doi: 10.1016/j.estger.2014.02.005.

Cui, A. P., Fitzgerald, P. M. and Donovan, K. R. (2014) ‘Extended self: implications for country-of-origin’, *Journal of Consumer Marketing*, 31(4), pp. 312–321. doi: 10.1108/JCM-01-2014-0820.

D’Haen, J. *et al.* (2016) ‘Integrating expert knowledge and multilingual web crawling data in a lead qualification system’, *Decision Support Systems*. Elsevier B.V., 82, pp. 69–78. doi: 10.1016/j.dss.2015.12.002.

D’Souza, G. and Weun, S. (1997) ‘Assessing The Validity Of Market Segments Using Conjoint Analysis’, *Journal of Managerial Issues*, 9(4), pp. 399–418.

Dahl, A. J., Peltier, J. W. and Schibrowsky, J. A. (2018) ‘Critical Thinking and Reflective Learning in the Marketing Education Literature: A Historical Perspective and Future Research Needs’, *Journal of Marketing Education*, 40(2), pp. 101–116. doi: 10.1177/0273475317752452.

Dat, L. Q. *et al.* (2015) ‘A new integrated fuzzy QFD approach for market segments evaluation and selection’, *Applied Mathematical Modelling*. Elsevier Inc., 39(13), pp. 3653–3665. doi: 10.1016/j.apm.2014.11.051.

Davies, I. A. and Ryals, L. J. (2014) ‘The effectiveness of Key Account Management practices’, *Industrial Marketing Management*. Elsevier Inc., 43(7), pp. 1182–1194. doi: 10.1016/j.indmarman.2014.06.007.

Day, G. S. (2011) ‘Closing the Marketing Capabilities Gap’, *Journal of Marketing*, 75(July), pp. 183–195.

Deer, S. and Zarestky, J. (2017) ‘Balancing Profit and People: Corporate Social Responsibility in Business Education’, *Journal of Management Education*, 41(5), pp. 727–749. doi: 10.1177/1052562917719918.

Definition of definition (2017) *Oxford Dictionaries*. Available at: https://premium.oxforddictionaries.com/definition/english/definition (Accessed: 7 August 2017).

Delmar, C. (2010) '"Generalizability" as Recognition: Reflections on a Foundational Problem in Qualitative Research', *Qualitative Studies*, 1(2), pp. 115–128. Available at: http://ojs.statsbiblioteket.dk/index.php/qual/article/view/3828.

Deloitte Consulting (2007) *Marketing in 3D. Highligting Perspectives on Marketing Effectiveness*. London. Available at: https://www2.deloitte.com/content/dam/Deloitte/pt/Documents/strategy/marketing3d_28062010.pdf.

Denizci Guillet, B. and Kucukusta, D. (2016) 'Spa market segmentation according to customer preference', *International Journal of Contemporary Hospitality Management*, 28(22), pp. 418–434. doi: http://dx.doi.org/10.1108/09564230910978511.

DeSarbo, W. S., Oliver, R. L. and Rangaswamy, A. (1989) 'A simulated annealing methodology for clusterwise linear regression', *Psychometrika*, 54(4), pp. 707–736. doi: 10.1007/BF02296405.

Dibb, S. (1999) 'Criteria guiding segmentation implementation : reviewing the evidence', *Journal of Strategic Marketing*, 7, pp. 107–129.

Dibb, S. (2005) 'Market Segmentation Implementation Barriers and How to Overcome Them', *The Marketing Review*, pp. 13–30. doi: 10.1362/1469347053294805.

Dibb, S. *et al.* (2012) *Marketing: Concepts and Strategies*. 6th edn. Hampshire, United Kingdom: Cengage Learning EMEA.

Dibb, S. and Simkin, L. (2008) *Market Segmentation Success. Making it Happen*. New York: The Haworth Press.

Dibb, S. and Simkin, L. (2009) 'Implementation rules to bridge the theory/practice divide in market segmentation', *Journal of Marketing Management*, 25(3), pp. 375–396. doi: 10.1362/026725709X429809.

Dibb, S. and Simkin, L. (2010) 'Judging the quality of customer segments: Segmentation effectiveness', *Journal of Strategic Marketing*, 18(2), pp. 113–131. doi: 10.1080/09652540903537048.

Dibb, S., Simões, C. and Wensley, R. (2014) 'Establishing the scope of marketing practice: Insights from practitioners', *European Journal of Marketing*. PT, 48(1/2), pp. 380–404. doi: 10.1108/EJM-04-2011-0212.

Dimitriadou, E., Weingessel, A. and Hornik, K. (1999) 'International Congress on Computational Intelligence: Methods and Applications.', in *Voting in clustering and finding the number of clusters.*, pp. 291–296.

Dobni, C. B. and Luffman, G. (2000) 'Implementing Marketing Strategy through a Market Orientation', *Journal of Marketing Management*, 16, pp. 895–916.

Dolnicar, S. (2003) 'Using cluster analysis for market segmentation - typical misconceptions, established methodological weaknesses and some recommendations for improvement', *Australasian Journal of Market Research*, 11(2), pp. 5–12.

Dolnicar, S. *et al.* (2012) 'Biclustering: Overcoming Data Dimensionality Problems in Market Segmentation', *Journal of Travel Research*, 51(1), pp. 41–49. doi: 10.1177/0047287510394192.

Dolnicar, S. *et al.* (2013) 'Required Sample Sizes for Data-Driven Market Segmentation

Analyses in Tourism', *Journal of Travel Research*, XX(X), pp. 1–11. doi: 10.1177/0047287513496475.

Dolnicar, S., Freitag, R. and Randle, M. (2005) 'To Segment or Not to Segment? An Investigation of Segmentation Strategy Success Under Varying Market Conditions', *Australasian Marketing Journal (AMJ)*, 13(1), pp. 20–35. doi: 10.1016/S1441-3582(05)70065-3.

Dolničar, S. and Grün, B. (2008) 'Challenging "Factor – Cluster Segmentation"', *Journal of Travel Research*, 47(August), pp. 63–71. doi: 10.1177/0047287508318910.

Dolnicar, S., Grün, B. and Leisch, F. (2014) 'Required Sample Sizes for Data-Driven Market Segmentation Analyses in Tourism', *Journal of Travel Research*, 53(3), pp. 296–306. doi: 10.1177/0047287513496475.

Dolnicar, S., Grün, B. and Leisch, F. (2016) 'Increasing sample size compensates for data problems in segmentation studies', *Journal of Business Research*. The Authors, 69(2), pp. 992–999. doi: 10.1016/j.jbusres.2015.09.004.

Dolnicar, S., Grün, B. and Leisch, F. (2018) *Market Segmentation Analysis: Understanding It, Doing It, and Making It Useful*. Singapore: Springer Open. Available at: https://doi.org/10.1007/978-981-10-8818-6_1.

Dolnicar, S., Grünn, B. and Leisch, F. (2018) *Market Segmentation Analysis. Understanding It, Doing It, and Making It Useful*. Singapore: Springer Open.

Dolnicar, S. and Lazarevski, K. (2009a) 'Methodological reasons for the theory/practice divide in market segmentation.', *Journal of Marketing Management*, 25(3/4), pp. 357–373.

Dolnicar, S. and Lazarevski, K. (2009b) 'Methodological reasons for the theory/practice divide in market segmentation', *Journal of Marketing Management*. Routledge, 25(3), pp. 357–373. Available at: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=39143352&site=ehost-live&scope=site.

Dolnicar, S., Lazarevski, K. and Yanamandram, V. (2013) 'Quality of life and tourism : A conceptual framework and novel segmentation base', *Journal of Business Research*. Elsevier Inc., 66(6), pp. 724–729. doi: 10.1016/j.jbusres.2011.09.010.

Dolnicar, S. and Leisch, F. (2010) 'Evaluation of structure and reproducibility of cluster solutions using the bootstrap', pp. 83–101. doi: 10.1007/s11002-009-9083-4.

Dolnicar, S. and Leisch, F. (2013) 'Using graphical statistics to better understand market segmentation solutions', *International Journal of Market Research*, 56(2), p. 207. doi: 10.2501/IJMR-2013-073.

Doole, I. and Lowe, R. (2012) *International Marketing Strategy. Analysis, Development and Implementation*. Hampshire, United Kingdom: Cengage Learning.

Doyle, P. and Saunders, J. (1985) 'Market Segmentation and Positioning in Specialized Industrial Markets', *Journal of Marketing*. American Marketing Association, 49(2), pp. 24–32. Available at: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=5001277&site=ehost-live&scope=site.

Easterby-Smith, M. *et al.* (2018) *Management and Business Research*. 6th edn. London: SAGE Publications, Inc.

Eisenhardt, K. M. and Graebner, M. E. (2007) 'Theory Building from Cases: Opportunities and Challenges', *Academy of Management Journal*, 50(1), pp. 25–32. doi: 10.1002/job.

Ernst, D. and Dolnicar, S. (2017) 'How to Avoid Random Market Segmentation Solutions', *Journal of Travel Research*, pp. 1–14. doi: 10.1177/0047287516684978.

Fapohunda, T. M. (2013) 'Towards Effective Team Building in the Workplace', *International Journal of Education and Research*, 1(4), pp. 1–12.

Farquhar, J. D. (2012) *Case Study Research for Business.* London: SAGE Publications Ltd.

Filip, A. (2012) 'Market segmentation - fundamental process in business to business marketing.', *Romanian Journal of Marketing*, (3), pp. 62–66. Available at: http://search.ebscohost.com.ezproxy.liv.ac.uk/login.aspx?direct=true&db=bth&AN=87919746&site=eds-live&scope=site.

Finney, R., Spake, D. and Finney, T. (2011) 'Lost in transition? The human influence on marketings emerging service-dominant logic.', *Journal of Management and Marketing Research*, 6, pp. 1–16.

Fischer, S. (2014) 'Hospital Positioning and Integrated Hospital Marketing Communications: State-of-the-Art Review , Conceptual Framework , and Research Agenda', *Journal of Nonprofit and Public Sector Marketing*, 26, pp. 1–34. doi: 10.1080/10495142.2014.870431.

Floh, A. *et al.* (2014) 'Customer segmentation using unobserved heterogeneity in the perceived-value – loyalty – intentions link', *Journal of Business Research*. Elsevier Inc., 67(5), pp. 974–982. doi: 10.1016/j.jbusres.2013.08.003.

Flyvbjerg, B. (2006) 'Five Misunderstandings About Case-Study Research', *Qualitative Inquiry*, 12(2), pp. 219–245.

Foedermayr, E., Diamantopoulos, A. and Sichtmann, C. (2009) 'Export segmentation effectiveness: index construction and link to export performance', *Journal of Strategic Marketing*, 17(1), pp. 55–73. doi: 10.1080/09652540802619277.

Foedermayr, E. K. and Diamantopoulos, A. (2008a) 'Exploring the Construct of Segmentation Effectiveness: Insights from International Companies and Experts', *Journal of Strategic Marketing*, 16(2), pp. 129–156. doi: 10.1080/09652540801981579.

Foedermayr, E. K. and Diamantopoulos, A. (2008b) 'Market Segmentation in Practice: Review of Empirical Studies, Methodological Assessment, and Agenda for Future Research', *Journal of Strategic Marketing*, 16(3), pp. 223–265. doi: 10.1080/09652540802117140.

Franke, N., Reisinger, H. and Hoppe, D. (2009) 'Remaining within-cluster heterogeneity: A meta-analysis of the "dark side" of clustering methods', *Journal of Marketing Management*, 25(3–4), pp. 273–293. doi: 10.1362/026725709X429755.

Friese, S. (2014) *Qualitative Data Analysis with ATLAS.ti*. 2nd edn. London: Sage Publications Ltd.

Frösen, J. *et al.* (2016) 'What Counts Versus What Can Be Counted : The Complex Interplay of Market Orientation and Marketing', *Journal of Marketing*, 80(May), pp. 60–78. doi: 10.1509/jm.15.0153.

Gardner, H., Rees, P. and Tsiantia, M. (2005) 'Still Silent - Political Market Segmentation and the Case of Ethnic Women', *Journal of Marketing Management*, 21, pp. 1161–1178.

Gaston-Breton, C. and Martín Martín, O. (2011) 'International market selection and segmentation: A two-stage model', *International Marketing Review*, 28(3), pp. 267–290. doi: 10.1108/02651331111132857.

Ghauri, P. and Gronhaug, K. (2002) *Research methods in business studies*. England: Pearson Education Limited.

Gill, J. and Johnson, P. (1997) *Research methods for managers*. London: Sage Publications.

Gläser, J. and Laudel, G. (2013) 'Qualitative social life with and without coding: Two methods for early stage data analysis in qualitative research aiming at causal explanations', *Forum Qualitative Sozialforschung / Forum: Qualitative Social Research*, 14(2), pp. 1–25. doi: 10.1016/j.jenvp.2010.03.006.

Gokus, O. (2015) 'Strategy Levels-Performance Relationship and the Mitigation effect of Market Orientation on Strategy Levels', *Acadamy of Marketing Studies Journal*, 19(1), pp. 250–265.

Golsorkhi, D. (2010) *Cambridge handbook of strategy as practice*. Cambridge ; New York: Cambridge University Press.

Goulding, C. (2002) *Grounded Theory: Evolutionary developments and fundamental processes*. London: SAGE Publications Ltd.

Gouthier, M., Giese, A. and Bartl, C. (2012) 'Service excellence models: a critical discussion and comparison', *Managing Service Quality: An International Journal*, 22(5), pp. 447–464. doi: 10.1108/09604521211281378.

Grant, R. M. (2013) *Contemporary Strategy Analysis*. 8th edn. West Sussex, UK.: John Wiley & Sons Ltd.

Greenley, G. E. (1989) 'An Understanding of Marketing Strategy', *European Journal of Marketing*, 23(8), pp. 45–58. doi: 10.1108/EUM0000000004794.

Greenley, G., Hooley, G. and Saunders, J. (2004) 'Management processes in marketing planning', *European Journal of Marketing*. Bradford, United Kingdom, Bradford: Emerald Group Publishing, Limited, 38(8), pp. 933–955. doi: 10.1108/03090560410539104.

Grün, B. and Dolnicar, S. (2016) 'Response style corrected market segmentation for ordinal data', *Marketing Letters*, 27, pp. 729–741. doi: 10.1007/s11002-015-9375-9.

Guido, G. *et al.* (2018) 'The segmentation of elderly consumers: A literature review', *Journal of Customer Behaviour*, 17(4), pp. 257–278.

Gupta, S., Sharma, M. and Sunder, V. (2016) 'Lean services: A systematic review', *International Journal of Productivity and Performance Management*, 65(8), pp. 1025–1056. doi: 10.1108/IJPPM-02-2015-0032.

Hansen, J. D., Deitz, G. D. and Morgan, R. M. (2010) 'Taxonomy of service-based loyalty program members.', *Journal of Services Marketing*, 24(4), pp. 271–282. doi: 10.1108/08876041011052980.

Harrigan, P. and Hulbert, B. (2011) 'How can marketing academics serve marketing practice? The new marketing DNA as a model for marketing education', *Journal of Marketing Education*, 33(3), pp. 253–272. doi: 10.1177/0273475311420234.

Harrison, D. and Kjellberg, H. (2010) 'Segmenting a market in the making: Industrial market segmentation as construction', *Industrial Marketing Management*. Elsevier Inc., 39(5), pp. 784–792. doi: 10.1016/j.indmarman.2009.05.016.

Harrison, H. *et al.* (2017) 'Case Study Research: Foundations and Methodological Orientations', *Forum: Qualitative Social Research*, 18(1), pp. 1–12. doi: 10.17169/FQS-18.1.2655.

Hassan, S. S. and Craft, S. (2012) 'Examining world market segmentation and brand positioning strategies', *Journal of Consumer Marketing*, 29(5), pp. 344–356. doi: 10.1108/07363761211247460.

Hau, L. N., Evangelista, F. and Thuy, P. N. (2013) ‘Does it pay for firms in Asia’s emerging markets to be market oriented? Evidence from Vietnam’, *Journal of Business Research*. Elsevier B.V., 66(12), pp. 2412–2417. doi: 10.1016/j.jbusres.2013.05.028.

Hennink, M. M., Kaiser, B. N. and Marconi, V. C. (2017) ‘Code Saturation Versus Meaning Saturation: How Many Interviews Are Enough?’, *Qualitative Health Research*, 27(4), pp. 591–608. doi: 10.1177/1049732316665344.

Heracleous, L. and Wirtz, J. (2010) ‘Singapore Airlines ’ Balancing Act’, *Harvard Business Review*, (July).

Heracleous, L., Wirtz, J. and Pangarkar, N. (2009) *Flying High in a Competitive Industry. Secrets of the World’s Leading Airline*. Singapore: McGraw-Hill Education.

Herr, K. and Anderson, G. L. (2005) *The action research dissertation. A guide for students and faculty.* Thousand Oaks, California: SAGE Publications, Inc.

Hill, W. W., Beatty, S. E. and Walsh, G. (2013) ‘A segmentation of adolescent online users and shoppers.’, *Journal of Services marketing*, 27(5), pp. 347–360. doi: 10.1108/JSM-10-2011-0157.

Hines, T. and Quinn, L. (2005) ‘Socially Constructed Realities and the Hidden Face of Market Segmentation’, *Journal of Marketing Management*, 44(021), pp. 529–543.

Hinson, R. E. and Mahmoud, M. A. (2011) ‘Qualitative Insights into Market Orientation in Small Ghanaian Businesses’, *International Journal of Marketing Studies*, 3(1), pp. 35–45.

Hiziroglu, A. (2013) ‘Soft computing applications in customer segmentation: State-of-art review and critique’, *Expert Systems with Applications*, 40(16), pp. 6491–6507. doi: 10.1016/j.eswa.2013.05.052.

Hoffman, K. D. *et al.* (2009) *Services marketing. Concepts, strategies and cases*. London: Cengage Learning.

Hofstee, E. (2006) *Constructing a Good Diisertation. A Practical Guide to Finishing a Master’s, MBA or PhD on Schedule.* Johannesburg, South Africa: EPE.

Honea, H., Castro, I. A. and Peter, P. (2017) ‘Evidence Items as Signals of Marketing Competencies and Workplace Readiness: A Practitioner Perspective’, *Journal of Marketing Education*, 39(3), pp. 145–161. doi: 10.1177/0273475317724845.

Hong, C.-W. (2012) ‘Using the Taguchi method for effective market segmentation’, *Expert Systems with Applications*. Elsevier Ltd, 39(5), pp. 5451–5459. doi: 10.1016/j.eswa.2011.11.040.

Hooley, G., Piercy, N. F. and Nicoulaud, B. (2012) *Marketing Strategy and Competitive Positioning.* 5th edn. Harlow, England: Pearson Education Limited.

Horneman, L. *et al.* (2002) ‘Profiling the Senior Traveler: An Australian Perspective’, *Jornal of Travel Research*, 41(August), pp. 23–37.

Hsieh, H. and Shannon, S. E. (2005) ‘Three Approaches to Qualitative Content Analysis’, *Qualitative Health Research*, 15(9), pp. 1277–1288. doi: 10.1177/1049732305276687.

https://brcsa.org.za (2019).

Huang, Y. and Wilkinson, I. F. (2014) ‘A Case Study of the Development of Trust in a Business Relation: Implications for a Dynamic Theory of Trust’, *Journal of Business Marketing Management*, 7(1), pp. 254–279.

Hunt, Shelby D. (2011) ‘On the intersection of marketing history and marketing theory’, *Marketing Theory*, 11(4), pp. 483–489. doi: 10.1177/1470593111418802.

Hunt, Shelby D (2011) 'The Theory of Monopolistic Competition, Marketing's Intellectual History , and the Product Differentiation Versus Market Segmentation Controversy', *Journal of Macromarketing*, 31(1), pp. 73–84. doi: 10.1177/0276146710382119.

Hunt, S. D. (2012) 'Trust, Personal Moral Codes, and the Resource-Advantage Theory of Competition: Explaining Productivity, Economic Growth, and Wealth Creation', *Contemporary Economics*, 6(2), pp. 4–20. doi: 10.5709/ce.1897-9254.38.

Hunt, S. D. and Arnett, D. B. (2004) 'Market Segmentation Strategy, Competitive Advantage, and Public Policy: Grounding Segmentation Strategy in Resource-Advantage Theory', *Australasian Marketing Journal*, 12(1), pp. 7–22.

Hussey, J. and Hussey, R. (1997) *Business Research. A practical guide for undergraduate and postgraduate students.* Hampshire: Palgrave.

Hutt, M. D. and Speh, T. W. (2014) *Business marketing management B2B*. Hampshire, UK: Cengage Learning.

Hutt, M. D. and Walker, B. A. (2015) 'Bridging the Theory-Practice Gap in Business Marketing: Lessons from the Field—The *JBBM* at 21', *Journal of Business-to-Business Marketing*, 22(1–2), pp. 67–72. doi: 10.1080/1051712X.2015.1020242.

Jackson, S. E., Joshi, A. and Erhardt, N. L. (2003) 'Resent Research on Team and Organizational Diversity: SWOT Analysis and Implications', *Journal of Management*, 29(6), p. 801. doi: 10.1016/S0149-2063.

Jansen van Rensburg, M., Venter, P. and Strydom, J. W. (2012) 'The Perceived Contribution of Practise of Strategic Marketing on the Performance of South African Companies', *Journal of Contemporary Management*, 9, pp. 24–47.

Jarratt, D. and Fayed, R. (2012) 'Services Segmentation and Emergent Customer Behavior: A Case Study', *Services Marketing Quarterly*, 33, pp. 49–67. doi: 10.1080/15332969.2012.633438.

Jiménez-Zarco, A. I., Martínez-Ruiz, M. P. and Izquierdo-Yusta, A. (2011) 'The impact of market orientation dimensions on client cooperation in the development of new service innovations', *European Journal of Marketing*, 45(1/2), pp. 43–67. doi: 10.1108/03090561111095595.

Jobber, D. and Shipley, D. (2012) 'Marketing-orientated pricing: Understanding and applying factors that discriminate between successful high and low price strategies.', *European Journal of Marketing*, 46(11/12), pp. 1647–1670. doi: 10.1108/03090561211260022.

Johnson, G., Langley, A. and Melin, L. (2003) *Strategy as Practice : Research Directions and Resources*. Cambridge, GBR: Cambridge University Press. Available at: http://site.ebrary.com/lib/unisa1/docDetail.action?docID=10193801&ppg=1.

Jones, R. P. and Runyan, R. C. (2016) 'Conceptualizing a path-to- purchase framework and exploring its role in shopper segmentation', *International Journal of Retail and Distribution Management*, 44(8), pp. 776–798. doi: 10.1108/IJRDM-09-2015-0148.

Jooste, C. *et al.* (eds) (2012) *Applied strategic marketing*. 4th edn. Cape Town, South Africa: Pearson Education South Africa (Pty) Ltd.

Jørgensen, M. B. (2012) 'Categories of difference in science and policy – reflections on academic practices, conceptualizations and knowledge production', *Qualitative Studies*, 3(2), pp. 78–96. Available at: http://ojs.statsbiblioteket.dk/index.php/qual/article/view/7302.

Kannisto, P. (2016) '"I'm not a target market": Power asymmetries in market segmentation', *Tourism Management Perspectives*. Elsevier Ltd, 20, pp. 174–180. doi: 10.1016/j.tmp.2016.09.001.

Katsikeas, C. S., Goode, M. M. H. and Katsikea, E. (2000) 'Sources of Power in International Marketing Channels', *Journal of Marketing Management*, 16(1–3), pp. 185–202. doi: 10.1362/026725700785100389.

Khan, H., Bamber, D. and Quazi, A. (2012) 'Relevant or redundant: Elite consumers ' perception of foreign-made products in an emerging market', *Journal of Marketing Management*, 28(9–10), pp. 1190–1216.

Khoo-Lattimore, C. and Prayag, G. (2015) 'The girlfriend getaway market: Segmenting accommodation and service preferences', *International Journal of Hospitality Management*. Elsevier Ltd, 45, pp. 99–108. doi: 10.1016/j.ijhm.2014.12.003.

Khunsoonthornkit, A. and Panjakajornsak, V. (2018) 'Structural equation model to assess the impact of learning organization and commitment on the performance of research organizations', *Kasetsart Journal of Social Sciences*. Elsevier Ltd, 39(3), pp. 457–462. doi: 10.1016/j.kjss.2018.07.003.

Kim, T. and Lee, H.-Y. (2011) 'External validity of market segmentation methods: A study of buyers of prestige cosmetic brands', *European Journal of Marketing*, 45(1/2), pp. 153–169. doi: 10.1108/03090561111095630.

Kim, Y. T. and Lee, Y.-J. (2017) 'Contemporary dandies: The behavioral characteristics of Korean male consumers in fashion multi-brand stores and tailor shops', *Journal of Business Research*. Elsevier Inc., 74, pp. 149–153. doi: 10.1016/j.jbusres.2016.10.027.

Kimiagari, S., Keivanpour, S. and Haverila, M. (2019) 'Developing a high-performance clustering framework for global market segmentation and strategic profiling', *Journal of Strategic Marketing*. Routledge, 27(August), pp. 1–25. doi: 10.1080/0965254X.2019.1628099.

Kleinaltenkamp, M. (2010) 'Is marketing academia losing its way? - A commentary from a German perspective', *Australasian Marketing Journal*, 18(3), pp. 171–173. doi: 10.1016/j.ausmj.2010.06.010.

Ko, E. *et al.* (2012) 'Global marketing segmentation usefulness in the sportswear industry', *Journal of Business Research*. Elsevier Inc., 65(11), pp. 1565–1575. doi: 10.1016/j.jbusres.2011.02.041.

Kohlbacher, F. (2006) 'The Use of Qualitative Content Analysis in Case Study Research', *Forum: Oualitative Social Research*, 7(1), p. 30.

Kohli, A. K. and Jaworski, B. J. (1999) 'Market Orientation: THe Construct, Research, Propositions, and Management Implications', in Deshpande, R. (ed.) *Developing a Market Orientation*. Thousand Oaks: Sage Publications, Inc.

Kosuge, R. (2015) 'Measuring Market Orientation in the Context of Service Organizations: A Context-specific Study', *Annals of Business Administrattive Science*, 14, pp. 137–146.

Kotler, P. (1983) *Principles of marketing*. Englewood Cliffs, New Jersey: Prentice-Hall.

Kotler, P. and Keller, K. L. (2010) *A Framework for Marketing management*. 12th edn. Upper Saddle River, New Jersey: Prentice Hall.

Kowalkowski, C. *et al.* (2012) 'The co-creative practice of forming a value proposition', *Journal of Marketing Manageme*, 28(December), pp. 1553–1570.

Kruger, M. and Snyman, W. Z. (2017) 'Segmenting the Latin American travel market to South Africa', *Acta Commerciii*, 17(1), pp. 1–18.

Kumar, V. *et al.* (2011) 'Is Market Orientation a Source of Sustainable Competitive Advantage or Simply the Cost of Competing?', *Journal of Marketing*, 75(1), pp. 16–30. doi: 10.1509/jmkg.75.1.16.

Lamb, C. W., Hair, Joseph, F. (Jnr) and McDaniel, C. (2012) *MKTG5*. 5th edn. Mason, OH: South-Western, Cengage Learning.

Lambert, D. M. (2010) 'Customer relationship management as a business process', *Journal of Business & Industrial Marketing*, 25(1), pp. 4–17. doi: 10.1108/08858621011009119.

Lambert, D. M. and Enz, M. G. (2012) 'Managing and measuring value co-creation in business-to-business relationships', *Journal of Marketing Management*, 28(13–14), pp. 1588–1625.

Lancaster, G. and Reynolds, P. (2005) *Management of Marketing*. Oxford, UK.: Elsevier Butterworth-Heinemann.

Lanzolla, G. and Frankort, H. T. W. (2016) 'The Online Shadow of Offline Signals: Which Sellers get Contacted in Online B2B Marketplaces?', *Academy of Management Journal*, 59(1), pp. 207–231.

Layton, R. A. (2009) 'On Economic Growth, Marketing Systems, and the Quality of Life', *Journal of Macromarketing*, 29(4), pp. 349–362. doi: 10.1177/0276146709345108.

LeCompte, M. D. (2000) 'Analyzing qualitative data', *Theory Into Practice*, 39(3), pp. 146–154. doi: 10.1207/s15430421tip3903.

Lee, T. W. (1999) *Using qualitative methods in organizational research*. Thousand Oaks: Sage Publications.

Leedy, P. D. and Ormrod, J. E. (2005) *Practical research. Planning and design.* 8th edn. Upper Saddle River, New Jersey: Pearson Education Limited.

Lemmens, A., Croux, C. and Stremersch, S. (2012) 'Dynamics in the international market segmentation of new product growth', *International Journal of Research in Marketing*. Elsevier B.V., 29(1), pp. 81–92. doi: 10.1016/j.ijresmar.2011.06.003.

Lettice, F., Tschida, M. and Forstenlechner, I. (2014) 'Managing in an economic crisis : The role of market orientation in an international law firm', *Journal of Business Research*. Elsevier Inc., 67(1), pp. 2693–2700. doi: 10.1016/j.jbusres.2013.03.018.

Van Lierop, D. and El-Geneidy, A. (2017) 'A New Market Segmentation Approach: Evidence from Two Canadian Cities', *Journal of Public Transportation*, 20(1), pp. 20–43.

Lilien, G. L. (2010) 'Is academic marketing losing its way? Embrace intermediaries', *Australasian Marketing Journal*, 18(3), pp. 174–176. doi: 10.1016/j.ausmj.2010.06.011.

Lilien, G. L. (2011) 'Bridging the Academic – Practitioner Divide In Marketing Decision Models', *Journal of Marketing*, 75(July), pp. 196–210.

Liu, J. *et al.* (2019) 'Market segmentation: A multiple criteria approach combining preference analysis and segmentation decision', *Omega*. Elsevier Ltd, 83, pp. 1–13. doi: 10.1016/j.omega.2018.01.008.

Liu, Y., Kiang, M. and Brusco, M. (2012) 'A unified framework for market segmentation and its applications', *Expert Systems with Applications*. Elsevier Ltd, 39(11), pp. 10292–10302. doi: 10.1016/j.eswa.2012.02.161.

Maciejewski, G., Mokrysz, S. and Wróblewski, Ł. (2019) 'Segmentation of Coffee Consumers Using Sustainable Values: Cluster Analysis on the Polish Coffee Market', *Sustainability*, 11(1), pp. 1–20. doi: 10.3390/su11030613.

MacInnis, D. J. (2011) ‘A Framework for Conceptual Contributions in Marketing’, *Journal of Marketing*, 75(July), pp. 136–154.

Maguire, M. and Delahunt, B. (2017) ‘Doing a Thematic Analysis: A Practical, Step-by-Step Guide for Learning and Teaching Scholars’, *All Ireland Journal of Teaching and Learning in Higher Education*, 9(3), pp. 3351–33514.

Mahajan, D., Agarwal, N. and Agarwal, A. (2008) ‘Evolution of Market Segmentation’, *The Icfai Journal of Marketing Management,* VII(2), pp. 30–38.

Makhitha, M., Cant, M. C. and Theron, D. (eds) (2016) *Business-to-business marketing*. Cape Town, South Africa: Juta & Co. Ltd.

Malaval, P., Bénaroya, C. and Aflalo, J. (2014) *Aerospace Marketing Management*. London: Springer International Publishing.

Maričić, B. R. and Đorđević, A. (2011) ‘Strategic Market Segmentation’, *Marketing*, pp. 243–252.

Markey, R., Ott, J. and du Toit, G. (2007) ‘Winning new customers using loyalty-based segmentation’, *Strategy & Leadership*, 35(3), pp. 32–37. doi: 10.1108/10878570710745811.

Markle, D. T., West, R. E. and Rich, P. J. (2011) ‘Beyond Transcription: Technology, Change, and Refinement of Method’, *Forum: Qualitative Social Research*, 12(3), pp. 1–21. doi: 10.17169/FQS-12.3.1564.

Marsden, D. and Littler, D. (1996) ‘Evaluating Alternative Research Paradigms: A Market-Oriented Framework’, *Journal of Marketing Management*, 12, pp. 645–655.

Marx, S. and van der Walt, A. (1989) *Bemarkingsbestuur*. Johannesburg: Juta en Kie.

Mason, J. (1996) *Qualitative Research*. London: SAGE Publications Ltd.

McDonald, M. (2007) *Marketing Plans: How to prepare them, how to use them.* 6th edn. Oxford, UK.: Elsevier Butterworth-Heinemann.

McDonald, M. (2009) ‘The future of marketing: brightest star in the firmament, or a fading meteor? Some hypotheses and a research agenda’, *Journal of Marketing Management*, 25(5–6), pp. 431–450. doi: 10.1362/026725709X461786.

McDonald, M. and Dunbar, I. (1998) *Market segmentation. How to do it. How to profit from it.* 2nd edn. London: Macmillan Press.

McDonald, M. and Dunbar, I. (2004) *Market Segmentation. How to do it. How to profit from it.* London: Butterworth-Heinemann.

McGuigan, J. R., Moyer, C. and Harris, F. H. deB (2017) *Managerial economics: Applications, strategy and tactics.* 14th edn. Boston: Cengage Learning.

Meila, M. and Heckerman, D. (1998) ‘14th Conference on Uncertainty in Artificial Intelligence’, in *An experimental comparison of several clustering and initialization methods.*, pp. 386–395.

Michaelidou, N. (2012) ‘A typology of consumers’ variety-seeking disposition based on inherent needs’, *Journal of Marketing Management*, 28(5–6), pp. 676–694.

Millier, P. (2000) ‘Intuition Can Help in Segmenting Industrial Markets’, *Industrial Marketing Management*, 29, pp. 147–155.

Mintzberg, H., Ahlstrand, B. and Lampel, J. (1998) *Strategy Safari. A Guided Tour through the Wilds of Strategic Management,*. New York: The Free Press.

Mitchell, V.-W. and Mcgoldrick, P. J. (1994) 'The Role of Geodemographics in Segmenting and Targeting Consumer Markets: A Delphi Study', *European Journal of Marketing*, 28(5), pp. 54–72.

De Mooij, M. (2015) 'Cross-cultural research in international marketing: clearing up some of the confusion', *International Marketing Review*, 32(6), pp. 646–662. doi: 10.1108/IMR-12-2014-0376.

Mouton, J. (2014) *How to succeed in your Master's and Doctoral Studies*. Pretoria, South Africa: Van Schaik.

Muthen, B. (1989) 'Latent variable modeling in heterogeneous populations', *Psychometrika*, 54(4), pp. 557–585. doi: 10.1007/BF02296397.

Myers, J. H. (1996) *Segmentation and Positioning for Strategic Marketing Decisions*. Chicago: American Marketing Association.

Myers, M. D. (2013) *Qualitative Research in Business and Management.* 2nd edn. London: SAGE Publications Ltd.

Navis, C. and Glynn, M. A. (2010) 'How New Market Categories Emerge', *Administrative Science Quarterly*, 55(3), pp. 439–471. doi: 10.2189/asqu.2010.55.3.439.

Neuts, B., Chen, J. M. and Nijkamp, P. (2016) 'Assesing Customer Value in Segmented Cruise Markets: A Modelling Study on Japan and Taiwan', *Acadamy of Marketing Studies Journal*, 20(3), pp. 1–14.

Newton, J. D. *et al.* (2013) 'Ethical evaluation of audience segmentation in social marketing', *European Journal of Marketing*, 47(9), pp. 1421–1438. doi: 10.1108/EJM-09-2011-0515.

Noble, S. M. and Schewe, C. D. (2003) 'Cohort segmentation: An exploration of its validity', *Journal of Business Research*, 56, pp. 979–987.

Nowell, L. S. *et al.* (2017) 'Thematic Analysis: Striving to Meet the Trustworthiness Criteria', *International Journal of Qualitative Methods*, 16(1), pp. 1–13. doi: 10.1177/1609406917733847.

Obilo, O. O. and Alford, B. L. (2018) 'Market segmentation via attitudinal functions: A multi-method approach', *Qualitative Market Research: An International Journal*, 21(1), pp. 63–81. doi: 10.1108/QMR-06-2016-0052.

Orlikowski, W. J. (2010) *Practice in Research: Phenomenon, Perspecive and Philosophy*, *Cambridge Handbook of Strategy as Practice*. Edited by D. Golsorkhi et al. Cambridge University Press. doi: 10.1017/CBO9780511777882.002.

Ottenbacher, M. C. and Harrington, R. J. (2010) 'Strategies for achieving success for innovative versus incremental new services', *Journal of Services Marketing*, 24(1), pp. 3–15. doi: 10.1108/08876041011017853.

Oztekin, A. (2018) 'Creating a marketing strategy in healthcare industry : a holistic data analytic approach', *Annals of Operations Research*. Springer US, 270(1), pp. 361–382. doi: 10.1007/s10479-017-2493-4.

Palmatier, R. W. *et al.* (2008) 'Achieving relationship marketing effectiveness in business-to-business exchanges', *Journal of the Acadamy of Marketing Science*, 36, pp. 174–190. doi: 10.1007/s11747-007-0078-5.

Palmer, R. A. and Millier, P. (2004) 'Segmentation: Identification, intuition, and implementation', *Industrial Marketing Management*, 33(8), pp. 779–785. doi: http://dx.doi.org/10.1016/j.indmarman.2003.10.007.

Pandey, S. and Chalwa, D. (2018) ‘Evolving segments of online clothing buyers: an emerging market study’, *Journal of Advances in Management Research*, 15(4), pp. 536–557. doi: 10.1108/JAMR-12-2017-0121.

Panke, D. (2018) *Research Design and Method Selection*. London: SAGE Publications Ltd.

Papadopoulos, N. and Martín, M. O. (2011) ‘International market selection and segmentation: a two-stage model’, *International Marketing Review*, 28(3), pp. 267–290. doi: 10.1108/02651331111132857.

Paroutis, S., Heracleous, L. and Angwin, D. (2016) *Practicing Strategy: Text and Cases*. 2nd edn. SAGE Publications Ltd. doi: 10.1177/1350508413494508.

Patsiotis, A. G., Hughes, T. and Webber, D. J. (2012) ‘Adopters and non-adopters of Internet banking: A segmentation study’, *International Journal of Bank Marketing*, 30(1), pp. 20–42.

Pereault, W. D. (Jnr) and McCarthy, J. E. (2006) *Essentials of Marketing: A Global Managerial Approach*. 10th edn. New York: McGraw Hill/Irwin.

Peterson, M. and Naresh, M. (2000) ‘Country segmentation based on objective quality-of-life measures’, *International Marketing Review*, 17(1), pp. 56–73.

Pindyck, R. S. and Rubinfeld, D. L. (2009) *Microeconomics*. 7th edn. London: Pearson Education Limited.

Pires, G. D., Stanton, J. and Stanton, P. (2011) ‘Revisiting the substantiality criterion: From ethnic marketing to market segmentation’, *Journal of Business Research*. Elsevier Inc., 64(9), pp. 988–996. doi: 10.1016/j.jbusres.2010.11.022.

Plank, R. E. (1985) ‘A critical review of industrial market segmentation’, *Industrial Marketing Management*, 14(2), pp. 79–91. doi: http://dx.doi.org/10.1016/0019-8501(85)90045-8.

Ponterotto, J. G. (2005) ‘Qualitative research in counseling psychology: A primer on research paradigms and philosophy of science’, *Journal of Counseling Psychology*. Ponterotto, Joseph G., Psychological and Educational Service, Fordham University-Lincoln Center, 113 West 60th Street, Room 1008, New York, NY, US, 10023-7478, jponterott@aol.com: American Psychological Association (Knowledge in Context: Qualitative Methods in Counseling Psychology Research), 52(2), pp. 126–136. doi: 10.1037/0022-0167.52.2.126.

Poortman, C. L. and Schildkamp, K. (2012) ‘Alternative quality standards in qualitative research?’, *Quality and Quantity*, 46(6), pp. 1727–1751. doi: 10.1007/s11135-011-9555-5.

Powers, Thomas L., Trawick, I. F. (1993) ‘Segmenting the elderly market : An empirical analysis of identifiable groupings’, *Journal of Marketing Management*, 3(2), pp. 36–44.

Pratt, M. G. (2009) ‘For the lack of a boilerplate: Tips on writing up (and reveiwing) qualitative research’, *Academy of Management Journal*, 52(5), pp. 856–862.

Quinn, L. (2009) ‘Market segmentation in managerial practice: a qualitative examination’, *Journal of Marketing Management*. Routledge, 25(3), pp. 253–272. doi: 10.1362/026725709X429746.

Quinn, L. and Dibb, S. (2010) ‘Evaluating market-segmentation research priorities: Targeting re-emancipation’, *Journal of Marketing Management*. Routledge, 26(13–14), pp. 1239–1255. doi: 10.1080/0267257X.2010.523010.

Rangan, V. K., Chu, M. and Petkoski, D. (2011) ‘Segmenting the Base of the Pyramid’, *Harvard Business Review*, (June), pp. 113–117.

Rangan, V. K., Moriarty, R. T. and Swartz, G. S. (1992) ‘Segmenting Customers in Mature

Industrial Markets’, *Journal of Marketing*, 56(4), p. 72. doi: 10.2307/1251987.

Reh, J. F. (2005) ‘Pareto’s Principle - The 80-20 Rule’, *Business Credit*, 107(7), p. 76.

Reibstein, D. J., Day, G. and Wind, J. (2009) ‘Guest Editorial: Is Marketing Academia Losing Its Way?’, *Journal of Marketing*. American Marketing Association, pp. 1–3. doi: 10.1509/jmkg.73.4.1.

Reutterer, T. *et al.* (2006) ‘A dynamic segmentation approach for targeting and customizing direct marketing campaigns’, *Journal of Interactive Marketing*, 20(3–4), pp. 43–58. doi: 10.1002/dir.

Rid, W., Ezeuduji, I. O. and Pröbstl-haider, U. (2014) ‘Segmentation by motivation for rural tourism activities in The Gambia’, *Tourism Management*. Elsevier Ltd, 40, pp. 102–116. doi: 10.1016/j.tourman.2013.05.006.

Rigopoulou, I. D., Tsiotsou, R. H. and Kehagias, J. D. (2008) ‘Shopping orientation-defined segments based on store choice criteria and satisfaction: An empirical investigation.’, *Journal of Marketing Management*, 24(9), pp. 979–995. doi: 10.1362/026725708X382000.

Roberts, D. L. and Palmer, R. (2012) ‘Developing a visceral market learning capability for new product development.’, *International Journal of Market Research*, 54(2), pp. 199–221. doi: 10.2501/IJMR-54-2-199-220.

Roller, M. R. and Lavrakas, P. J. (2015) *Applied Qualitative Research Design: A Total Quality Framework Approach*. New York: The Guilford Press.

Rotfeld, H. J. (2014) ‘The pragmatic importance of theory for marketing practice’, *Journal of Consumer Marketing*, 31(4), pp. 322–327. doi: 10.1108/JCM-02-2014-0854.

SAARF (2015) *No Title*. Available at: www.saarf.co.za.

Sarabia, F. J. (1996) ‘Model for market segments evaluation and selection’, *European Journal of Marketing*, 30(4), pp. 58–74. Available at: https://doi.org.

Saunders, B. *et al.* (2017) ‘Saturation in qualitative research: exploring its conceptualization and operationalization’, *Quality and Quantity*. Springer Netherlands, pp. 1–15. doi: 10.1007/s11135-017-0574-8.

Saunders, M., Lewis, P. and Thornhill, A. (2009) *Research Methods for Business Students.* 5th edn. Harlow, England: Pearson Education Limited.

Saunders, M. N. K., Lewis, P. and Thornhill, A. (2019) *Research Methods for Business Students*. 8th edn. Harlow, United Kingdom: Pearson Education Limited.

Scheer, L. K., Miao, C. F. and Palmatier, R. W. (2015) ‘Dependence and interdependence in marketing relationships: meta-analytic insights’, *Journal of the Acadamy of Marketing Science*, 43, pp. 694–712. doi: 10.1007/s11747-014-0418-1.

Schiffman, L. G. and Kanuk, L. L. (2000) *Consumer behavior*. London: Prentice-Hall International.

Schiffman, L. G. and Wisenblit, J. L. (2015) *Consumer Behavior*. 11th edn. Harlow, England: Pearson Education Limited.

Shannahan, R. J. *et al.* (2016) ‘Taking the Good with the Bad - Customer Type as a Segmentation Criterion and Differential Influencer of Sales Performance’, *Journal of Marketing Theory and Practice*, 24(3), pp. 283–305. doi: 10.1080/10696679.2016.1170535.

Shapiro, B. P. and Bonoma, T. V (1984) ‘How to Segment Industrial Markets’, *Harvard Business Review*. Harvard Business School Publication Corp, 62(3), pp. 104–110. Available at: http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=4121057&site=ehost-live&scope=site.

Shavitt, S., Jiang, D. and Cho, H. (2016) ‘Stratification and segmentation: Social class in consumer behavior’, *Journal of Consumer Psychology*. Society for Consumer Psychology, 26(4), pp. 583–593. doi: 10.1016/j.jcps.2016.08.005.

Shaw, A. (2011) ‘Market segmentation and the impact of online media’, *Journal of Medical Marketing*, 11(3), pp. 254–262. doi: 10.1177/1745790411416542.

Shaw, E. H. and Jones, D. G. B. (2005) ‘A history of schools of marketing thought’, *Marketing Theory*, 5(3), pp. 239–281. doi: 10.1177/1470593105054898.

Sheth, J. N. (2011) ‘Impact of Emerging Markets on Marketing: Rethinking Existing Perspectives and Practices’, *Journal of Marketing*, 75(July), pp. 166–182.

Shimp, T. A. and Andrews, J. C. (2013) *Advertising, Promotion, and Other Aspects of Integrated marketing Communication*. 9th edn. Australia: Cengage Learning.

Siggelkow, N. (2007) ‘Persuasion with Case Studies’, *Academy of Management Journal*, 50(1), pp. 20–24. doi: 10.5465/AMJ.2007.24160882.

Simkin, L. (2008) ‘Achieving market segmentation from B2B sectorisation.’, *Journal of Business & Industrial Marketing*, 23(7/8), pp. 464–474. doi: 10.1108/08858620810901220.

Simkin, L. and Dibb, S. (2011) ‘Segmenting the energy market: problems and successes’, *Marketing Intelligence & Planning*, 29(6), pp. 580–592. doi: 10.1108/02634501111166094.

Sirobaba, S., Cherednichenko, G. and Tiukha, I. (2014) ‘Brand role in the conception of market positioning of goods on the consumer market’, *Ukrainian Foofd Journal*, 3(4), pp. 627–634.

Skålén, P. and Hackley, C. (2011) ‘Marketing-as-practice. Introduction to the special issue’, *Scandinavian Journal of Management*, 27, pp. 189–195. doi: 10.1016/j.scaman.2011.03.004.

Śmigielska, G. and Stefańska, M. (2017) ‘Innovative Positioning as a Marketing Tool of Retailers on the Food Market’, *Entrepreneurial Business and Economics Review*, 5(1), pp. 77–90. doi: 10.15678/eber.2017.050105.

Smith, N. C. and Cooper-Martin, E. (1997) ‘Ethics and Target Marketing: The Role of Product Harm and Consumer Vulnerability’, *Journal of Marketing*, 61(3), p. 1. doi: 10.2307/1251786.

Smith, T. *et al.* (2015) ‘Context into text into context: Marketing practice into theory; Marketing theory into practice’, *Marketing Intelligence & Planning*, 33(7), pp. 1027–1046. doi: 10.1108/MIP-05-2014-0091.

Smith, W. R. (1956) ‘Product Differentiation and Market Segmentation as Alternative Marketing Strategies’, *Journal of Marketing (pre-1986)*. New York, United States, New York: American Marketing Association, 21, p. 3. Available at: http://millennium.unisa.ac.za:4550/resserv?genre=article&issn=00222429&title=Journal+of+Marketing+%28pre-1986%29&volume=21&issue=&date=1956-01-01&atitle=Product+Differentiation+and+Market+Segmentation+as+Alternative+Marketing+Strategies&spage=3&aulast.

Smuts, J. G. (1988) *Practical Framework for Developing a Strategic Marketing Management System*. University of South Africa.

Soanes, C. and Stevenson, A. (2005) ‘Oxford dictionary of English’. Oxford: Oxford University Press, p. 2,88. Available at: http://0-

www.oxfordreference.com.aupac.lib.athabascau.ca/views/BOOK_SEARCH.html?book=t140
.

Söllner, A. and Rese, M. (2001) 'Market segmentation and the structure of competition: applicability of the strategic group concept for an improved market segmentation on industrial markets', *Journal of Business Research*, 51, pp. 25–36.

Solomon, M. R. and Stuart, W. (2008) *Marketing: Real people, real choices*. 5th edn. Upper Saddle River, New Jersey: Pearson Education Incorporated.

Sørensen, H. E. (2009) 'Why competitors matter for market orientation', *European Journal of Marketing*, 43(5/6), pp. 735–761. doi: 10.1108/03090560910947025.

Sousa, C. M. P. and Bradley, F. (2005) 'Global markets: Does psychic distance matter?', *Journal of Strategic Marketing*, 59(March), pp. 43–60.

Srihadi, T. F. *et al.* (2016) 'Segmentation of the tourism market for Jakarta : Classification of foreign visitors' lifestyle typologies', *Tourism Management Perspectives*. The Authors, 19, pp. 32–39. doi: 10.1016/j.tmp.2016.03.005.

Srinivasan, S., Vanhuele, M. and Pauwels, K. (2010) 'Mind-Set Metrics in Market Response Models: An Integrative Approach', *Journal of Marketing Research*, 47(4), pp. 672–684. doi: 10.1509/jmkr.47.4.672.

Statistics South Africa (2014) *Stats in brief, 2014*. Pretoria, South Africa: Statistics South Africa.

Staudt, T. A., Taylor, D. A. and Bowersox, D. J. (1976) *A managerial introduction to marketing*. Englewood Cliffs, New Jersey: Prentice-Hall.

Steenkamp, J.-B. E. . and Ter Hofstede, F. (2002) 'International market segmentation: issues and perspectives', *International Journal of Research in Marketing*, 19(3), pp. 185–213. doi: 10.1016/S0167-8116(02)00076-9.

Streitfeld, D. (2011) 'Jobs Steps Down at Apple, Saying He Can't Meet Duties', *New York Times*, 24 August. Available at: http://www.nytimes.com/2011/ 08/25/technology/jobs-stepping-down-as-chief-of-apple.html.

Sudbury-Riley, L., Kohlbacher, F. and Hofmeister, A. (2015) 'Baby Boomers of different nations. Identifying horizontal international segments based on self-perceived age', *International Marketing Review*, 32(3–4), pp. 245–278. doi: 10.1108/IMR-09-2013-0221.

Sun, W. and Price, J. M. (2016) 'Implications of marketing capability and research and development intensity on firm default risk', *Journal of Marketing Management*, 32(1), pp. 179–206. doi: 10.1080/0267257X.2015.1104377.

Sweeney, J. C. (2010) 'Is marketing academia losing its way? Linking with practitioners', *Australasian Marketing Journal*, 18(3), pp. 168–170. doi: 10.1016/j.ausmj.2010.06.009.

Tadajewski, M. and Jones, D. G. B. (2014) 'Historical research in marketing theory and practice: a review essay', *Journal of Marketing Management*, 30(11–12), pp. 1239–1291. doi: 10.1080/0267257X.2014.929166.

Tan, A. Y. F. and Lo, A. S. Y. (2008) 'A Benefit-based Approach to Market Segmentation: A Case Study of an American Speciality Coffeehouse Chain in Hong Kong', *Journal of Hospitality and Tourism Research*, 32(3), pp. 342–362. doi: 10.1177/1096348008317388.

Tanusondjaja, A. *et al.* (2015) 'International brands in emerging markets: the myths of segmentation', *International Marketing Review*, 32(6), pp. 783–796. doi: 10.1108/IMR-08-2014-0286.

Taylor, C., Wilkie, M. and Baser, J. (2006) *Doing Action Research*. Sage Publications, Inc.

Thoeni, A. T., Marshall, G. W. and Campbell, S. M. (2016) 'A resource-advantage theory typology of strategic segmentation', *European Journal of Marketing*, 50(12). doi: 10.1108/EJM-08-2015-0585.

Thomas, R. J. (2016) 'Multistage market segmentation: An exploration of B2B segment alignment', *Journal of Business & Industrial Marketing*, 31(7), pp. 821–834. doi: 10.1108/JBIM-12-2015-0245.

Thomson, A. A. *et al.* (2018) *Crafting and Executing Strategy. The quest for competitive advantage*. 21st edn. New York, NY, USA: McGraw-Hill Education.

Thorne, S. (2000) 'Data analysis in qualitative research', *Evidence-Based Nursing*, 3(3), pp. 6–9.

Tkaczynski, A., Rundle-Thiele, S. R. and Beaumont, N. (2009) 'Segmentation: A tourism stakeholder view', *Tourism Management*, 30, pp. 169–175.

Tkaczynski, A., Rundle-Thiele, S. R. and Prebensen, N. K. (2018) 'To segment or not? That is the question', *Journal of Vacation Marketing*, 24(1), pp. 16–28. doi: 10.1177/1356766716679482.

Tonks, D. G. (2009) 'Validity and the design of market segments', *Journal of Marketing Management*, 25(3/4), pp. 341–356. doi: 10.1362/026725709X429782.

Tsai, C.-Y. and Chiu, C.-C. (2004) 'A purchase-based market segmentation methodology', *Expert Systems with Applications*, 27, pp. 265–276. doi: 10.1016/j.eswa.2004.02.005.

Tuma, M. and Decker, R. (2013) 'Finite Mixture Models in Market Segmentation: A Review and Suggestions for Best Practices', *The Electronic Journal of Business Research Methods*, 11(1), pp. 2–15.

Tuma, M. N., Decker, R. and Scholz, S. W. (2011) 'A survey of the challenges and pitfalls of cluster analysis application in market segmentation', *International Journal of Market Research*, 53(3), pp. 391–414. doi: 10.2501/ijmr-53-3-391-414.

Tuzovic, S., Wirtz, J. and Heracleous, L. (2018) 'How do innovators stay innovative? A longitudinal case analysis', *Journal of Services Marketing*, 32(1), pp. 34–45. doi: 10.1108/JSM-02-2017-0052.

Tynan, A. C. and Drayton, J. L. (1985) 'The Methuselah Market', *Journal of Marketing Management*, 1, pp. 75–85.

Tzempelikos, N. and Gounaris, S. (2015) 'Linking key account management practices to performance outcomes.', *Industrial Marketing Management*. Elsevier Inc., 45, pp. 22–34. doi: 10.1016/j.indmarman.2015.02.018.

Ungerer, L. M. and Joubert, J. P. R. (2011) 'The use of personal values in living standards measures.', *Southern African Business Review*, 15(2), pp. 97–119.

Urger, L. (1974) 'Market Segmentation: A useful tool in the marketing of Frangrance (Perfume) Compounds', *Industrial Marketing Management*, 3, pp. 267–273.

Vaismoradi, M., Turunen, H. and Bondas, T. (2013) 'Content analysis and thematic analysis: Implications for conducting a qualitative descriptive study', *Nursing and Health Sciences*, 15(3), pp. 398–405. doi: 10.1111/nhs.12048.

Valentine, D. B. and Powers, T. L. (2013) 'Generation Y values and lifestyle segments', *Journal of Consumer Marketing*, 30(10), pp. 597–606. Available at: https://doi.org/10.1108/JCM-07-2013-0650 (Accessed: 4 August 2017).

Vargo, S. L. and Lusch, R. F. (2004) ‘Evolving to a New Dominant Logic for marketing’, *Journal of Marketing*, 68(January), pp. 1–17.

Vargo, S. L. and Lusch, R. F. (2017) ‘Service-dominant logic 2025’, *International Journal of Research in Marketing*. Elsevier B.V., 34(1), pp. 46–67. doi: 10.1016/j.ijresmar.2016.11.001.

Venter, P. and Jansen van Rensburg, M. (2014) *Strategic marketing. Theory and applications for competitive advantage.* 2nd edn. Goodwood, Cape Town: Oxford University Press.

Venter, P., Wright, A. and Dibb, S. (2014) ‘Performing market segmentation: a performative perspective’, *Journal of Marketing Management*, 31(1–2), pp. 62–83. doi: 10.1080/0267257X.2014.980437.

Venter, P. and Van Zyl, D. (eds) (2017) *Economics and Management Research.* Cape Town, South Africa: Oxford University Press, Southern Africa.

Verma, V., Sharma, D. and Sheth, J. (2016) ‘Does relationship marketing matter in online retailing ? A meta-analytic approach’, *Journal of the Acadamy of Marketing Science*, 44, pp. 206–217. doi: 10.1007/s11747-015-0429-6.

Vermeulen, P. A. M. and Hütte, E. (2014) *Strategic Challenges for the Base of the Pyramid*. Edited by P. A. M. Vermeulen and E. Hütte. Northhampton: Edward Elgar Publishing Limited.

Viswanathan, S. *et al.* (2007) ‘Online Infomediaries and Price Discrimination: Evidence from the Automotive Retail Sector’, *Journal of Marketing*, 71(July), pp. 89–107.

Vriens, M. (2001) ‘Analytical Developments and Application Guidelines’, *Millward Brown IntelliQuest*, (March), pp. 1–42.

Wake, N. J. (2015) ‘The use of the balanced scorecard to measure knowledge work’, *International Journal of Productivity and Performance Management*, 64(4), pp. 590–602. doi: 10.1108/IJPPM-08-2012-0091.

Walker, O. C. and Mullins, J. W. (2011) *Marketing Strategy: A Decision Focused Approach*. 7th edn. New York, NY, USA: McGraw-Hill.

Warmke, R. F., Palmer, G. D. and Nolan, C. A. (1976) *Marketing in Action*. Cincinatti: South-Western Publishing Co.

Wedel, M. and Kamakura, W. (2000) *Market Segmentation. Conceptual and Methodological Foundations*. 2nd edn. Norwell, Massachusetts: Kluwer Academic Publishers.

Weinberg, C. B. (1972) ‘The time sequence of events — a basis for market segmentation’, *European Journal of Marketing*, 6(1), pp. 60–63.

Weinstein, A. (2011) ‘Segmenting technology markets: applying the nested approach’, *Marketing Intelligence & Planning*, 29(7), pp. 672–686. doi: 10.1108/02634501111178695.

Weinstein, A. (2014a) ‘Segmentation and Target Marketing in B2B Technology Markets: Strategic Insights from Marketing Executives.’, in *AMA Winter Educators’ Conference Proceedings*, p. B-8-B-9. Available at: http://search.ebscohost.com/login.aspx?direct=true&db=bsh&AN=102452385&site=ehost-live.

Weinstein, A. (2014b) ‘Target market selection in B2B technology markets’, *Journal of Marketing Analytics*. Nature Publishing Group, 2(1), pp. 59–69. doi: 10.1057/jma.2014.6.

Wiese, M. and du Plessis, G. (2012) *Marketing Management*. 6th edn. Edited by P. J. du Plessis, J. W. Strydom, and C. J. Jooste. Claremont, South Africa: Juta & Co. Ltd.

Wilkins, S. *et al.* (2019) 'The acceptance of halal food in non-Muslim countries', *Journal of Islamic Marketing*, 10(4), pp. 1308–1331. doi: 10.1108/JIMA-11-2017-0132.

Wind, Y. (1978) 'Issues and Advances in Segmentation Research', *Journal of Marketing Research*, 15(3), pp. 317–337. doi: 10.2307/3150580.

Wind, Y. and Cardozo, R. (1974) 'Industrial Market Segmentation', *Industrial Marketing Management*, 3, pp. 153–165.

Wirtz, J. (2009) 'Strategy and organization at Singapore Airlines : Achieving sustainable advantage through dual strategy', *Journal of Air Transport Management*. Elsevier Ltd, 15(6), pp. 274–279. doi: 10.1016/j.jairtraman.2008.11.011.

Wirtz, J. (2017) *Winning in Service Markets. Success through People, Technology and Strategy*. Singapore: World Scientific International.

Wirtz, J. and Lovelock, C. (2011) *Services marketing: People, Technology, Strategy*. 7th edn. Boston: Prentice Hall.

Wood, V. R., Bhuian, S. and Kiecker, P. (2000) 'Market Orientation and Organizational Performance in Not-for-Profit Hospitals', *Journal of Business Research*, 48, pp. 213–226.

Wrona, T. and Gunnesch, M. (2016) 'The One Who Sees More is More Right: How Theory Enhances the "Repertoire to Interpret" in Qualitative Case Study Research', *Journal of Business Economics*. Springer Berlin Heidelberg, 86(7), pp. 723–749. doi: 10.1007/s11573-015-0799-8.

Yankelovich, D. (1964) 'New Criteria for Market Segmentation', *Harvard Business Review*, pp. 83–90.

Yankelovich, D. and Meer, D. (2006) 'Rediscovering Market Segmentation', *Harvard Business Review*, 84(2), pp. 122–131.

Yin, R. K. (2016) *Qualitative Research from Start to Finish*. 2nd edn. New York, NY, USA: The Guilford Press.

Zhu, H. *et al.* (2009) 'Are consumers what they consume? Linking lifestyle segmentation to product attributes: An exploratory study of the Chinese mobile phone market.', *Journal of Marketing Management*, 25(3), pp. 295–314. doi: 10.1362/026725709X429764.

Zikmund, W. G. and Babin, B. J. (2013) *Essentials of Marketing Research*. 5th edn. Australia: South-Western, Cengage Learning.

Zinser, B. A. and Brunswick, G. J. (2016) 'The Evolution of Service-Dominant Logic and It's Impact on Marketing Theory and Practice: A Review', *Academy of Marketing Studies Journal*, 20(2), pp. 120–137.

Appendix A

Discussion Guidelines

Interview 1

(The time budgeted for this interview was 2 hours. Given a 10-minute allocation to discuss/answer each question, the number of questions already anticipated for 90 minutes interviews. As it turned out, most interviews lasted for around an hour before a participant became "restless". At the risk of losing the time that participants volunteer to participate, I made a judgement on the duration of the interview)

The first few minutes were used to introduce the reason for the meeting again, provide some context and background regarding the interview and repeat some of the conditions regarding participation. Conditions included that they may stop their participation in the process and other research ethical clearance conditions.

Participants were then reminded that the interviews will be recorded.

The recorder was then switched on.

Question 1. Tell me how you (your organisation/your management team) approach marketing strategy creation in your organisation? (How often, who was involved?)

Question 2. What was the motivation for selecting specific customers to target?

Question 3. What did you do to grow the business?

Question 4. How formal was the process in developing a marketing strategy? (Which framework was used to guide?)

Question 5. Which guidelines did you use to decide on a market segmentation strategy? (Prompted for theoretical guidelines). (What guided you to select a specific market segment to target?)

Question 6. What did you do to make sure that you have made the right decision?

Question 7. What did you do to get more customers? (When it happened that you lost a client, what happened?)

Question 8. Where do your strengths lie?

Question 9. What were the major changes in your organisation in the last couple of years – and what motivated that?

Interview 2

The first part of this interview was used to provide feedback on the researcher's interpretation of the information shared during the first interview. Care was taken to provide ample opportunity for participants to add information or correct an interpretation that was not accurate.

Question 1. (Focus on market segmentation process). What did you use to guide your decisions about market segments? Why did you choose one segment and ignored others?

Question 2. What did you do to stay relevant to these customers?

Question 3. What do your competitors do that is different from your approach? What is your unique selling proposition?

Question 4. In what way do your marketing approach differ for different market segments? (Communications, pricing?)

Question 5. What adjustments did you have to make to your resources to accommodate the changing needs of customers?

Question 6. What did you do to make sure that you always understand how and when customer needs change?

Question 7. How do you know that you have benefitted from your market segmentation decisions?