

Critical Analysis of Segmentation Strategy For Potential Product Launch - Mapping The Customers

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Abstract:- This is a segment of the Literature Review chapter of a working paper titled, "Introducing Sugar Cane Juice in the Foreign Market- A Thorough Market Potential". The paper entails a detailed analysis of the market segment strategy for the betterment of understanding and ensuring essentials in considering the right customer class to push the natural product to. The report is still in field level and data are collected from several districts in Bangladesh and surveys are being done to facilitate potential foreign buyers looking to import.

Key Words:- Segmentation, Market, Marketing, Consumers, Brand, Product, Strategy

1.1. FOREGROUND

As the most prominent expert of marketing would say, "today's central problem facing business is not a shortage of goods but a shortage of customers... Marketing is an answer to how compete on bases other than price" (Kotler, 2003). As David Tarantino (2003) wrote, in order to develop marketing strategy, three components should be clearly defined:

- "Segmentation or who can I sell my services to?"
- Targeting or Who I am going to sell my services to?
- Positioning or How I am going to sell my services?"

Richard M.S. Wilson and Collin Gilligan (2005) in their book of "Strategic Marketing Management, planning implementation and control" introduce the eight stages of segmentation, targeting and positioning process: At the first stage, it is important to identify the company's current position, its objectives, capabilities of development according to resources and constraints that the company face. According to the authors' view, these two stages are recognised together as **situation analyses** phase. The next, third stage will be identification of segmentation variables and segment the market. In addition to this, fourth stage is developing each segment and these are related to **marketing segmentation** phase. Following fourth and fifth stages are known as **marketing targeting**, which infers evaluating the potential and attractiveness of all segments identified before. After which comes selection of the target market or markets in order to concentrate on these markets more in detail. After the target markets are selected, then comes **product positioning** phase. Under the product positioning issue authors bring the term of "concept." They state that each target segment should be conceptualised in terms of positioning. Which means that for each segment correct positioning concept should be identified. Hence, developing some alternative positioning concepts and selection of the most appropriate one is crucial. Final phase is to develop **marketing mix** taking into consideration such variables as product, price, place and promotion.

Many authors in the academic works state that some companies still have difficulties to understand whether they need above mentioned strategies or not. Yet, even having a great concern and awareness, some companies still fail in terms of market segmentation, targeting, positioning and marketing mix strategies. Investigation of academic theories, will help to find out whether segmentation is important or not for a product and which is the most viable segment and what actions should be done further.

1.2. MARKET SEGMENTATION

1.2.1. INTRODUCTION

Citing the words of Bonnie Gretzner (2007), "If you don't understand the details about customer segmentation, you're most likely letting customers--and sales--slip through your fingers," says one expert. Nowadays, in customer-oriented era, companies attempt to break down markets into manageable parts of the consumer groups and treat them according to the similar characteristics, that are called **market segmentation**. In this sense, Geoff Lancaster and Paul Reynolds (2002) in the book of "Marketing," state that increased competition, better informed and educated customers, and constant changing demands, urge companies to pay attention to segmentation issues. Segmentation has two approaches depending on who are your customers: segmenting organisational market and segmenting consumer market. As the study is undertaken on consumer product, looking at the bottled water in particular, natural mineral water consumers, therefore organisational market segmentation will not be discussed accordingly. On the website of the American Marketing Association, William D. Neal (2008) in the article of "*Principles of Marketing Segmentation*" describes two ways of market segmentation: *a priori* and *post hoc*. *A priori* market segmentation is based on adoption already known and usually used technique of segmentation. In this case, companies do not conduct any research in order to identify which segment is most appropriate, but they simply chose specific segmentation approach. On the other hand, *post hoc* segmentation infers market segmentation based on the thorough research of the customers' evidences that come up as variables, will become a background of the segmentation. Author recommends not using *a priori* segmentation as an ease job in order not to conduct a research. As he states, due to dynamic society, "a miss-segmented market is often worse for the firm than the mass-market assumption". Whereby, Mr. Neal depicts main variables, which should be considered for the research

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purposes. These set of variables are: product attribute preferences; values; product purchase pattern; product usage pattern; product benefits; brand preference; price sensitivity; brand loyalty; lifestyle; status; attitudes and opinions toward environment etc. Market segmentation, according to Frances Brassington and Stephen Pettit (1997) is important issue for any business, because customers or segments have different characteristics and preferences and these preferences are defined as *variables*, which must be considered by companies. Therefore, segmentation is a stage when the company identifies all clusters of possible consumers by grouping those consumers based on same needs, demands, requirements and other different characteristics. That consequently will become the pool of options to be targeted according attractiveness of the market(s).

1.2.2. TYPES OF MARKET SEGMENTATION

Some basic segmentation methods will be discussed in order to identify alternatives for the following consideration, which is the most appropriate for the natural Sugar Cane juice.

Geographic segmentation means to define customers according the location they live, for instance, European consumers. Geographical segmentation is very easy to define. It is easy for distribution system and establishing contacts with customers. But, the drawback of this kind of segmentation, as Douglas and Craig state in the book of "Principles of marketing" cited by F. Brassington and S. Pettite (1997), that concentrating only on the geographical area is not correct, because even in a small location customers can have diverse wants and needs. For example, in UK, people consider hot chocolate as a substitute to the coffee or tea and the bedtime drink. However, French consumers see the hot chocolate as a nourishing breakfast served with milk for children. Therefore, in addition to that it is important to make customer-focused segmentation.

Demographic segmentation is deeper approach than geographic segmentation. It is concentrated on age, gender, race, income, occupation etc. Demographic segmentation is as easy to define as geographic. It is measurable as well and information can be accessible free. Advantage of demographic approach of segmentation, let us say age, is ease to make a profile of an age segment and according to that decide which strategy of communication and creative approach will be the most appropriate. On the other hand, similar to geographic segmentation, not all the customers in the same demographic range necessarily have the same needs and wants.

Geo-demographic segmentation is a merger of above mentioned. For instance, if the wine company is selling old drinks in expensive price, company should know that some areas are populated with inhabitants of high income and some areas are poor.

Psychographic segmentation or **lifestyle segmentation** is more complicated segmentation method than mentioned above. F. Brassington and S. Pettitt (1997) define lifestyle segment as it is not based on the product's best qualities and the same issues but it is oriented towards customer's emotional state, paying more attention on the benefits, which can be given to the customer. As Geoff Lancaster et al. (2002), describe psychographic and lifestyle segmentation it is about

how individuals spend time and money based on the personality, attitudes, education, cultural and social background. Authors recognise early 1970s, J.T. Plummer's idea of identification of this phenomenon based on the next measures:

- How individuals spend their time on *activities*;
- Their major *interests*;
- Their *opinions* about themselves and the world in general

On the figure 2.2, Peter Cheverton in his book introduces UK lifestyle segmentation according to Martin Christopher Malcolm McDonald, 1995, who distinguish types of lifestyle and divides according to percentage. One of the psychological segmentation is **behavioural** segmentation, which considers separation of the customers according to their knowledge, attitudes, responses and uses of the product. P. Kotler and G. Armstrong (2006) introduce five different varieties of segmentation. Whereby, the first form of segmentation is **occasional** segmentation. It means that segmentation is done according the particular product usage. For example, Kotler and Armstrong bring an example of the orange juice producers, who encouraged drinking orange juice not only during the breakfast, but also consume at other times as well. Second type is **benefit segmentation**, looking at the benefits, which can be delivered to the customer according the attributes of the product. For example, tooth companies producing tooth paste for customers concerned to buy such tooth paste, which are effective for sensitive teeth with whitening features, etc. Benefit sought by Frances Brasington and Stephen Pettitt (2003) is seen in two scopes one is *practical though* (e.g. reliability, economic, etc.) and psychographically oriented (e.g. environmentally friendly, fast, healthier, etc.). In addition to that, according to Harvard Business Note (2000) segmentation is differentiated into two types: *benefit segmentation* and *segmentation based on observable characteristics*. Benefit segmentation can be divided into two parts, people who pay more attention on the results rather than side effects and people who are concerned on the gentleness of the product, avoiding side effects and concentrated on the results. Third type is **user status** segmentation, dividing consumers into the *nonusers, ex-users, potential users, first-time users and regular users*. There is also another form of segmentation based on usage but it pays attention on the **usage rate**. It means that consumers are differentiated on the frequency or intensity of usage a product, in particular, *light, medium and heavy* users. The final, fifth method is studying customers based on the **loyalty status**, according which companies look at degree of loyalty towards company, product etc. Strong loyal customers are most targeted people by the companies whose service or product is attractive to the customers and try to sustain them by using different marketing programmes. On the other hand, not loyal or partially loyal customers can be targeted by other rival companies in order to take away them from competitors. On that basis, accordingly, loyalty segmentation can be divided into two categories: *brand loyal* and *switchers*. Some authors state that in some cases segmentation according to single variable is not enough. According the Harvard publication (2006) is introduced *multifactor segmentation* approach, when three factors are used to identify segment in "three-dimensions". An example is given to show visually as how can

be seen identified man of particular age and income for a certain golf sportswear (Figure 2.3).

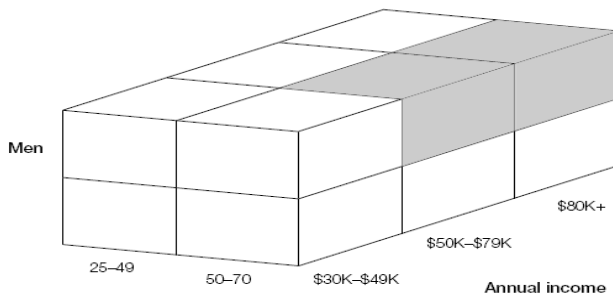


Figure 1.3.: Multifactor segmentation, 2006

Selected gray boxes on the figure above, visually exhibit the men under age of 50-70 and income 50\$K and more. Thus, using multifactor segmentation of needed factors will lead to exactly needed segment. Frances Brassington and Stephen Pettitt (2003) introduce *the AIDA response hierarchy model* (Figure 2.4). According that model, they make segmentation of *Buyer readiness stage*. They claim that on the early stage, when customers are not nor aware of the product existence it is possible to attract them by increasing product awareness and “stimulate interest in the product”. The information needs to be delivered to the customer in order to clearly understand the essence of the product, which will urge the desire and stimulate the drive to act to buy.

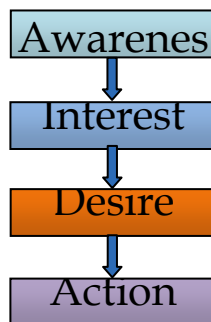


Figure 2.4.: The AIDA response hierarchy model

1.2.3. PRINCIPAL REQUIREMENT FOR SEGMENTATION

Revising different authors' views about segmentation, gives possibility to come up to the principal criteria for marketing segmentation. First of all, segment must exist and not to be an object of the marketers' imagination. Existing market must be measurable or identifiable in terms of size and purchasing power. Yet, this requirement in most occasions is difficult to comply, because census data do not exist. Following requirement is differentiability. It means that segment is distinguished and responds to the different marketing mix and other incentives in a changing way. For example, if married and unmarried women respond similarly to a new perfume, it means that they are within the same segment. Obviously, segment must be accessible or reachable in order to establish connection. On the other hand, in terms of business prospective segment must be substantial and stable for a significantly long period. Under this requirement is mentioned that tailored marketing program should be targeted to the significant amount of people with the same needs and

characteristics. In addition to that, amount should be such a big that business should be profitable. And, final requirement is actionable criterion, which concludes company's capability to deal with so many segments as it is possible from the company's extent of resources (Kotler, Armstrong, 2006; Green and Tull, 1978; cited by Neal, 2008). Due to the correct market segmentation, company can benefit from distribution point of view, carry out business in an effective and efficient way, increase sales/profit and market share. However, market segmentation becomes a dilemma for the company, because of different reasons, such as incorrect formulation of marketing strategy, incorrect understanding of the customers behaviour regarding to the marketing mix, more theoretical rather than practical approach choosing wrong variables.

Conclusion:

It is essential for any booming market to take their segmentation strategy very seriously before thinking of expansion. Internationalization strategy calls for thorough mapping of the potential customers in order to bridge the gap of market imperfection. There is a vast difference between strategies targeted for beverages and any other industrial produce. Marketers can never draw conclusion on one specific criterion to target the potential market. Hence, analysing segmentation strategy is not conclusive rather a progressive strategy for identifying the target market.

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