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A program for implementing market segmentation

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An executive summary for managers and executive readers can be found at the end of this article

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Introduction

Market segmentation forms the basis for far-reaching debate in the marketing literature. Considerable research effort has focused on this vital element of marketing strategy (Beane and Ennis, 1987; Wind, 1978). Much of this research has emphasized the significant advantages offered by adopting a segmented view of the market. Although there are sceptics, most practicing marketing managers recognize the importance of market segmentation.

Practical problems

Despite the benefits of segmentation, management teams wishing to determine and action revised segmentation strategies often encounter practical problems. Difficulties sometimes arise when strategies and marketing programs have been devised with little or poorly structured background marketing analysis. Even where the background analysis is thorough, the strategies devised may not translate into modified marketing programs. Altered segmentation strategy may require far-reaching organization and marketing changes, which are difficult to undertake and which may not be attractive to sales and marketing executives (Piercy, 1992). Overcoming these implementation problems is vital to the success of market segmentation, so it is important that potential barriers are removed (Bonoma, 1985).

This paper presents a segmentation program which has been designed to overcome some of the implementation barriers. The program is based on a process which has been developed in conjunction with management teams at four international companies and stems from the authors' considerable depth of experience in the academic exploration of market segmentation and in empirical studies. This program is based on a simple cycle of analysis, strategy development and marketing program design. The assumption is that at each stage in the analysis, strategy and program cycle, implementation breakdown is possible and that undertaking a systematic approach to segmentation can reduce the likelihood of such breakdown.

Market segmentation

The organizations involved in developing the program include a major construction equipment manufacturer, a car parts aftermarket supplier, and two leaders in the pharmaceuticals/chemicals and agro-chemicals industries. Each of these global companies operates primarily in organizational markets and must be responsive to the needs of diverse customer bases and varied competitors' strategies. Market segmentation therefore offers a range of potential and relevant benefits to these organizations' market leading positions and their need to progress in their markets.

The paper begins with a discussion of segmentation benefits and implementation problems. This is followed by a review of the analysis, strategy and programs segmentation cycle. The potential for implementation breakdown within this cycle is illustrated using short case histories. Next, the segmentation program is presented and the benefits offered by the segmentation program are reviewed.

Market segmentation

Customer heterogeneity

Marketing theory indicates that customers demonstrate heterogeneity in their product and service requirements and buying behavior (Assael and Roscoe, 1976; Blattberg and Sen, 1976; Kalwani and Morrison, 1977; Wind, 1978). Market segmentation involves activities designed to aggregate customers with relatively homogeneous buying requirements into groups or segments. Segmentation has been defined as "the subdividing of a market into distinct subsets of customers, where any subset may conceivably be selected as a target market to be reached with a distinct marketing mix (Kotler, 1980)". The practice originates from economic pricing theory which suggests that profits can be maximized by setting prices which discriminate between segments (Frank *et al.*, 1972).

Market segmentation arises because it is necessary to balance diverse customer needs with the capabilities and resources of competing organizations in the marketplace. In most markets the breadth of customer requirements is too extreme to allow single organizations to satisfy all customer product and service needs all of the time. Companies are more likely to achieve a match between their particular assets and the diversity of needs by concentrating efforts on customer groups with fairly homogeneous requirements (Choffray and Lilien, 1978; Webster, 1991).

Discussion about the benefits and opportunities which segmentation offers spans several decades and extends to both the practitioner and academic press (Beane and Ennis, 1987; Choffray and Lilien, 1978). Perhaps the most widely cited benefit is that segmentation leads to a better understanding of customers' needs and characteristics. This understanding allows more carefully tuned marketing programs to be developed and a greater insight into the competitive situation to be achieved (Bonoma and Shapiro, 1983; Frank *et al.*, 1972; Garda, 1981; Powers, 1991). Segmentation analysis also helps companies identify new opportunities in under-served customer groups. This can be particularly advantageous in mature or declining markets, where some segments may still be growing (Hooley and Saunders, 1993). Segmentation can lead to more efficient resource allocation as companies strive to assess the relative attractiveness/future potential of particular markets and segments within them. For companies which operate across a wide range of markets, such analysis plays a vital role in ensuring that the balance of marketing activities continues to contribute to market share and profitability. Low market share companies with limited resources can use segmentation to focus marketing assets by identifying, developing and sustaining activity in lower risk market segments (Hammermesh *et al.*, 1978). Used effectively, market segmentation should help also to develop and maintain an edge over rival organizations (Dibb and Simkin, 1996).

Implementation problems

Putting theory into practice

The attention given by the literature to the virtues of segmentation may obscure some of the difficulties which companies face when trying to put the theory into practice (Plank, 1985). Some of these problems result from poor understanding of segmentation principles (Greenberg and McDonald, 1989). Others arise because organizations are unfamiliar with how to handle the segmentation process (White, 1992). In general, the academic literature focuses on segmentation variables and techniques (Wind, 1978), while offering relatively little detailed guidance on how to handle the segmentation process and deal with the outputs. Some general advice is offered on the need for segments to exhibit certain basic qualities. For example, according to Kotler (1991), segments must be measurable (allow marketers to evaluate their size/future potential), substantial (large/profitable enough to warrant particular attention), accessible (possible for marketers to focus marketing effort on) and actionable (allow marketers to develop effective programs to serve the segment). These views are echoed by Blattberg *et al*. (1978) and Saunders (1980) who emphasize the need for managerially useful segmentation, which puts customers with similar buying needs and characteristics into groups.

The industrial marketing literature provides the most practical coverage of the implementation issues (Plank, 1985). It is suggested that many companies find it difficult to implement prescribed segmentation techniques. For example, Garda (1981) and Johnson and Flodhammer (1980) highlight the importance of segments which are easy to interpret and implement. They suggest that the attractiveness of alternative schemes should form the basis for choosing a particular solution. The difficulties which companies face may help explain concerns expressed by Hlavacek and Reddy (1986) who identify relatively low levels of effort in industrial markets in seeking segmentation opportunities.

Catering for the market situation

In order to be implementable, segmentation programs must be in sympathy with organizational characteristics and cater realistically for the existing market situation (Johnson and Flodhammer, 1980; Webster, 1991). Academics researching in industrial markets have devised a range of segmentation models which help practitioners select segmentation variables and put implementation issues to the fore. For example, the “macro-micro model” devised by Wind and Cardoza (1974) operates on the assumption that existing customer groups can sometimes be broken down into more homogeneous sub-segments and thus offer a useful basis for resegmenting markets (Green and Carmone, 1977). Wind and Cardoza suggest a two step approach which develops macro segments based on organizational characteristics and then uses key decision-making unit (DMU) variables to isolate micro segments. Bonoma and Shapiro (1983) develop this concept a stage further with their “nested approach,” which distinguishes between different variables and the ease with which they can be applied in a segmentation situation. Companies are encouraged to commence with readily implementable variables, such as demographics, and proceed inwards to situational factors and personal characteristics only if required. More recently, Laughlin and Taylor (1991) have developed macro segments which reflect controllable marketing variables and thus emphasize the issues of implementation and managerial requirements. (See Plank, 1985; and Cheron and Kleinschmidt, 1985, for a review of industrial segmentation models.)

The relationship between analysis, strategy and programs

According to marketing theory, to achieve the benefits ascribed to market segmentation, a certain series of steps must be followed (Kotler, 1991). In practice, however, it seems that true market segmentation, in the academic sense, is rarely applied. A genuine market segment containing customers with similar needs, which cuts across product ranges, industry sectors and often geographic boundaries, is a difficult concept for many practitioners to grasp. Instead companies may structure their markets on historical, product based lines (Dibb and Simkin, 1994). The differing priorities of practitioners and academic researchers are at least partly the cause for this. While the academic seeks to identify, statistically validate and test the existence of alternative schemes, for the practitioner the real test of a particular segment solution is the marketing program which must be developed.

Even where the practitioner understands and wishes to undertake a market segmentation exercise, barriers to successful implementation may be encountered which cause the process to fail. The difficulties associated with implementing marketing strategy are not new (McDonald, 1989). Recent work by Piercy (1989; 1992), Piercy and Peattie (1988) and Bonoma (1985) draws attention to the need to identify and break down barriers to implementation.

Latent managerial inertia

In the following discussion, the junctures at which the market segmentation process is susceptible to breakdown are highlighted. These occur when the desire for new ideas and up-dated marketing programs fails to overcome latent managerial inertia to create new marketing strategies and supporting programs. The simple analysis, strategy and programs (ASP) paradigm illustrated in Figure 1, builds on existing understanding of the strategic marketing planning process (Weitz and Wensley, 1988) and demonstrates the points at which breakdown can occur.

An effective segmentation process involves three distinct steps: marketing analysis to gain knowledge or current marketing intelligence; strategy development to formalize ideas; and, marketing programs to action the determined revised segmentation strategy. These three stages form a loop, as the formulation of marketing strategies, segment targeting, and marketing mix programs is a never-ending cycle of revisions. At each link in the ASP loop, however, there is the chance that the process will break down, that segmentation will fail to be implemented and that organizations revert to the less risky, existing status quo. These areas are described below and illustrated using short, descriptive case histories.

Corporate objectives

Starting out

Any segmentation process must begin with a clear appreciation of corporate objectives. This guides which broad issues are to be researched and signals areas of priority. Lack of clear objectives may cause the segmentation analysis to fail before it has properly begun. An understanding of how to objectively determine core trends is also required.

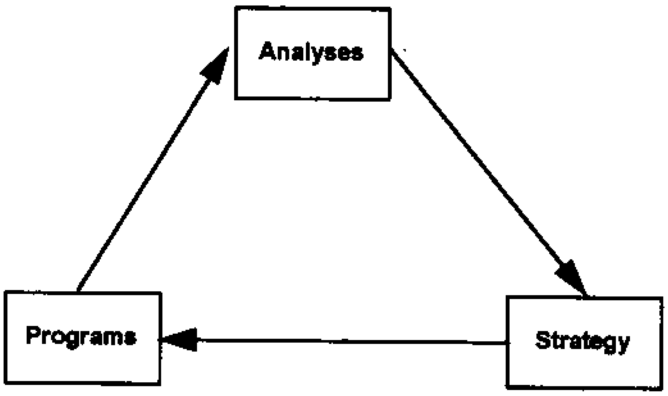

Figure 1. The ASP model for implementing market segmentation strategy

Analysis-strategy link

Marketing intelligence provides an essential input into the segmentation process but analyses *per se* are resource-wasting if they do not directly feed into strategic thinking and marketing programs. To avoid breakdown at this stage, systems must be in place which communicate the intelligence to those making decisions on strategy. The tendency to over-rely on managerial intuition and ignore the hard evidence provided by the analysis must be avoided.

Scenario 1:

A leading player in the world market for pharmaceuticals and chemicals began the core analysis stage of the segmentation process by considering a list of required market information. Managers from a number of different product groups were concerned by how extensive the requirements seemed but, as the information was vital to the analysis, considered ways to minimize individual workloads. One solution was to organize cross-product group discussion teams to handle each of the core analyses. For example, the competitor team collected information on each of the key industry players. Within this team, each individual was responsible for just one key competitor. Regular debrief sessions were arranged, so that the teams could present their findings to the rest of the marketing managers. The improved mechanisms for internal communication which resulted were an important side-benefit of the process.

Strategy-programs link

Programs must reflect strategy

Programs must be developed to implement strategies. These programs must reflect the strategy and be appropriate for the target groups identified. A realistic approach must be taken to the programs devised. Inevitably there will be practical constraints which limit the programs which can be instigated. To avoid breakdown at this point, the characteristics of the target groups must be clear, the marketing programs must reflect those characteristics and be acceptable within the marketplace. For example, it may not be realistic to propose radical alterations to the distribution system, if that system is entrenched in the minds of potential customers.

Scenario 2:

A multinational manufacturer of replacement vehicle parts was actively seeking ways to more closely match the needs of installers (garages) in the car aftermarket. A major research project was instigated which combined personal interviews with key decision-makers with an extensive telephone survey of the quality, delivery, service, price, product range and innovation requirements of several hundred installers.

This database was then subjected to a range of multivariate statistical analyses which identified a number of installer segments (see Wind, 1978, for discussion of multivariate techniques for use in segmentation research). Although the segments appeared to be statistically robust and could easily be profiled in terms of installer requirements, it proved impossible to distinguish between the segment members in terms of demographic and other descriptor variables. The result was installer groups which satisfied the requirement for within-segment homogeneity, but failed to be actionable in the sense that it was impossible to develop distinctive marketing programs to cater for these differences.

Programs-analysis link

Altering the status quo

Successful marketing programs not only implement the desired marketing strategy, but should also alter the status quo in the marketplace. The resulting changes to consumer perceptions or behavior and to competitors' actions must be monitored through further marketing analyses and the programs must reflect the marketing analyses already undertaken as part of the ASP process.

> *Scenario 3:*
> An international organization supplies equipment for the building trade, agricultural market, mining and quarrying operations. Historically, the company delineated its customer base in terms of geographic territory and product type, but gave little thought to whether this resulted in customer groupings with homogeneous needs. Following sweeping changes in the way the marketing function was organized, the company decided to reappraise the segmentation of its markets, in the hope of finding market and product development opportunities. This exercise involved a series of *ad hoc* data collection exercises which reexamined customer needs and resulted in new segment opportunities being identified. As a result of the analysis, the organization bundled certain groups of products and services together to reflect the customer needs it had identified and reorganized its sales function accordingly. However, when future data collection exercises were conducted, it was necessary to modify the design of research instruments to reflect changes in how the customer base was viewed.

A process for segmentation: a program leading to implementation

Examining the linkages between analysis, strategy and programs has demonstrated the difficulties which organizations face when attempting to implement academic segmentation schemes. This segmentation program aims to tackle some of the implementation problems so that segmentation opportunities are developed while taking a realistic view of the existing organizational and market situations.

Rigorous yet applied reexamination

The organizations involved in the program wished to reexamine their views of market segments in a rigorous yet applied manner. Managements were aware that previous initiatives, be they to develop marketing-planning cycles, total quality management or business planning, had frequently failed to deliver. Either analyses had not been sufficiently extensive, or the analyses and strategic thinking had been thorough, but managers had failed to turn them into updated marketing programs and actions. There was also a desire to have the discipline of a more academic stance, coupled with the implementation requirements of practicing, busy management teams.

A simple program (see Figure 2) was developed along the lines of the analysis, strategy and programs linkages indicated in the ASP process. The first stage involves consultant-led workshops – with supportive documentation guide notes – to explain and instigate the required marketing analyses. The subsequent time-frames and responsibilities to undertake these analyses of, for example, customers, competition, market perceptions and market trends, are determined by the participating managers. Pro forma charts help steer the completion of the analyses. At stage two – after an agreed time period which may be several weeks or months depending on the availability of marketing intelligence and managerial time – the analyses are critiqued.

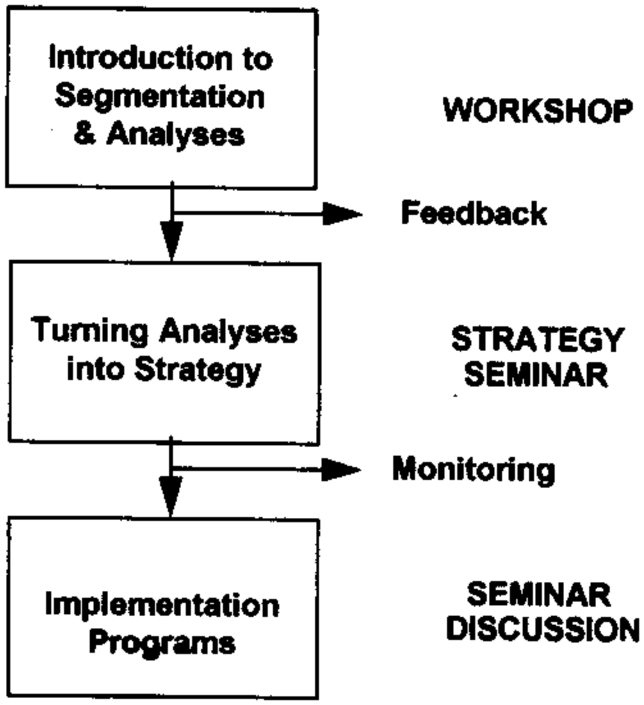

Figure 2. The segmentation program

Then, in a workshop format led by the consultant and the participating organization's senior marketing personnel, they are related to the organization's strategy development: identification of base variables, ultimately to revised segments, clear target market prioritization and brand-positioning requirements. The forum is used to review the findings of the background analyses on customer behavior and needs, competition, marketing environment/trends, internal capabilities, and the product portfolio, to make decisions about target segments.

Marketing mix programs

At stage three, typically several weeks later, another spate of activity allows the development of sales and marketing programs which are oriented specifically to implementing this revised target market strategy. Once the target market strategy is determined, line sales, marketing and technical managers develop detailed marketing mix programs aimed at facilitating the desired strategy. These written marketing plan blueprints are critiqued in a written report by the consultant and debated in a seminar forum involving all associated line and senior personnel. Throughout the process, managers are provided with a help-line service (telephone, e-mail or fax), so that specific queries can be resolved. *Ad hoc* advisory meetings can be arranged between consultant, participating teams and even with relevant marketing research suppliers, if required. The fourth and final stage of the program is a debrief seminar arranged once the detail of the marketing mix programs has been finalized. This is to ensure that the recommended marketing programs reflect the findings from the marketing analyses, have clear time frames and personnel attached to them, and performance measures and benchmarking procedures are established to monitor the ongoing implementation of the segmentation program's recommendations and judge its success in the marketplace.

Speed of progress

Each organization to date has worked at differing rates. The speed of progress has depended on strength of market position, which reflects the relative ease of achieving desired shifts in strategy; the numbers of personnel involved and their abilities; the cooperation between relevant functional areas (for example, marketing, sales, training, R&D, etc.) and managerial hierarchies; the nature of readily available marketing intelligence and the time required to address the inevitable gaps; budgets to cover consultant, data collection, IT support and additional human resource requirements; flexibility in working practices and the organizational culture in terms of receptiveness to new ideas. The chemicals giant required two months to update its marketing analyses, and six weeks between determining its revised target market strategy and producing draft marketing programs for implementation. The agro-chemicals company already had a great deal of marketing intelligence, but needed three months between devising a strategy and conjuring up skeleton marketing programs. Previously its marketing mix had been quite general across its products and customers. The segmentation analyses made the organization recognize the need to produce bespoke marketing programs per targeted segment. Experience to date suggests that Latin American, southern African and Asia-Pacific managers work most effectively and at the best rate of progress, although this reflects cultural, operational and organizational factors. Certainly UK and German managers find it more difficult to open their minds to revised target market strategies and overhauled marketing program needs.

The program recognizes that companies are unlikely simply to abandon existing approaches to segmentation – in the majority of instances, a company is not entering a new market and already has customers, distribution and full marketing mixes in place. Some of these aspects, particularly distribution, cannot be quickly, cheaply or legally modified in the immediate term. Indeed, it is likely that some areas are already working effectively and do not need to be altered. In this sense the approach is consistent with the macro-micro model of market segmentation which demonstrates that it is possible to ensure the priority of appropriateness and ease of segmentation implementation by starting the analysis with existing segment schemes (Wind and Cardoza, 1974). The approach outlined in Figure 3 commences with an examination of the existing markets and market share/profitability situation in order to identify strengths, problem areas, and distinctive competencies. Change is required in any market segmentation exercise, but change purely for the sake of change can simply be destructive.

Core analyses

Core analyses examine numerous aspects of buyer behavior, including customer needs, buying processes and influences on each stage of the buying processes. These pieces of information are crucial in order to determine segment bases and ultimately to identify the central segments in a market (Dibb *et al.*, 1994). The remaining analyses listed in Figure 3 are essential if an organization is to update its marketing information, achieve a genuine market focus, and target the “best” or most appropriate market segments. In addition, without information about customer needs, competitors’ strategies and rival brand positionings, the organization cannot determine the ideal positioning strategy.

The three-stage analysis, strategy and programs process with accompanying documentation, instructions, workshops and discussions, takes these core analyses and updates managers’ views of their business and marketplace.

A: Core analyses

(Now)

- The existing situation
- General trends/marketing environment
- Strengths, weaknesses, opportunities, threats
- Customer needs/expectations/ buyer behavior
- Competitive positions/strategies
- Brand or product positionings
- Balance of portfolio

B: Strategic thinking

(The future)

- Identification of new segmentation criteria/ segmentation bases
- Determination of new/revised market segments
- Selection of new/revised target segments
- Determination of brand positioning strategies

C: Implementation programs

(How)

- Marketing programs
  - Product range and portfolio
  - Pricing and payment issues
  - Promotional strategies and tactics
  - Distribution and control
  - Service levels and personnel
  - Salesforce
  - Internal communications and organization

- Resources and scheduling
  - Budgets
  - People and responsibilities
  - Activities

- Ongoing requirements
  - Product/brand development
  - Marketing research
  - Training
  - Communications
  - Monitoring performance

Figure 3. The stages of segmentation

Enforcing the progress

This renewed understanding is the platform for the reexamination of how the market breaks into market segments, and of which segment or segments the organization should target. The feedback and workshops in the process ensure that neither the analysis nor strategic thinking is lost. The exercise benefits no one if sales and marketing programs are not modified to reflect the conclusions drawn out of the marketing analyses, and if they do not reflect the requirements for implementing the strategies. Although intensive in terms of time and resources, the stage-by-stage enforcing of the process does encourage new ideas and sees the process through into implementation.

Market segments are redefined, targets reassessed, and marketing programs geared to the revised strategy (Dibb and Simkin, 1996).

Outcomes and program benefits

Primary and secondary outputs

Market segmentation is an analytical process which if conducted thoroughly – and ultimately implemented through revised sales and marketing programs – puts the customer first, maximizes resources, and emphasizes strengths over competitors. These are the primary outputs or benefits of the segmentation program, which will have implications for an organization's current and future product portfolio. The experience of applying the program has revealed a number of additional (secondary) outputs or benefits which help create a more market-focused company culture and build inter- and intra-organizational relationships. These secondary outputs are illustrated in Figure 4:

- *Better market understanding.* Core marketing analyses are revisited and updated. Knowledge of customers, environmental trends, competition and internal capabilities is strengthened. The existing customer base must be examined to determine any underlying patterns and strengths on which to build. Current and potential customers' needs; buying processes and influencing factors; customer characteristics and brand loyalty must be ascertained. The nature of competition is a core analysis: not just who, but why and how; competitors' strategies and positions; product or brand positionings; competitors' differential advantages. The broader marketing environment must be scanned. Organizational strengths, weaknesses, opportunities and threats evaluated, plus the balance of the product/service portfolio.

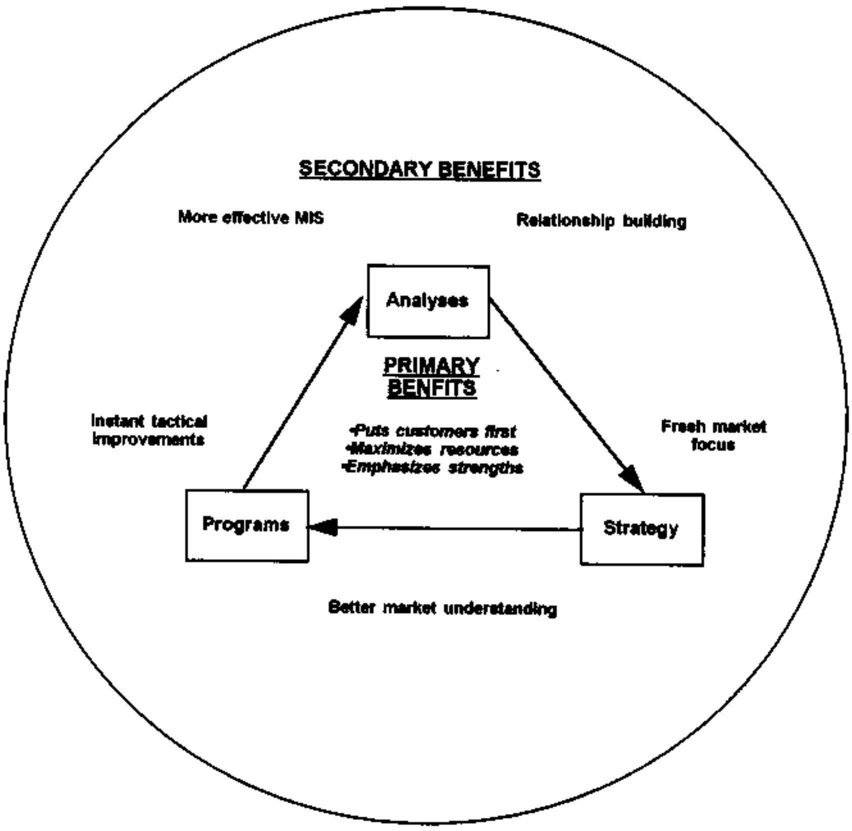

Figure 4. Secondary outputs from the segmentation program

- *More effective marketing information system.* Marketing intelligence in the organization is coordinated, explored, and disseminated to a wide audience of senior managers and decision makers, as well as to those sales and marketing personnel who implement the strategies. Inevitably as these areas are tackled, the level of marketing intelligence expands, as does the marketing databank. Information is updated, broadened, re-examined by a wide variety of personnel who by necessity improve their internal communications and liaison.
- *Fresh customer focus.* The analysis stage of the process brings its own benefits, not least of which is a fresh look at the marketplace, customers, trends and competition, and thereby more of a market focus for the organization. Sales and marketing functions gain a "fresh" customer focus. So do production, engineering and financial colleagues. This helps resources to be allocated for maximum benefit.
- *Instant tactical improvements.* The core analyses lead into a new look at segmentation. As each analysis is completed, however, there are obvious, immediate implications and resultant modifications to existing sales and marketing activities. The analyses in their own right can bring immediate issues to light which can be addressed there and then, particularly aspects of the competitive environment, customer behavior and the SWOT analysis.
- *Relationship building.* The process involves discussion, data collection, analysis and strategic thought. Not just within the marketing function, but across sales, corporate planning, finance and often R&D/engineering. The level and freedom of internal communications and the sharing of information and ideas are significant and very real additional benefits.

Advantages

Ultimately, the biggest advantage from the process is the redefinition of the market's segments and priorities for targeting, with associated implications for the product/service portfolio. With the rigor and freshness of the analyses, this modified and updated strategy maximizes opportunities and the use of resources; communicating these changes and enhancements, both during the analysis stage and on the determination of the strategy, in order to facilitate its implementation. The benefits of a revised view of market segments are not just dependent on better customer groupings and more rigorous targeting. There is a "fresh look" at all aspects of an organization's market and the activity within. Inevitably, so long as marketing programs are modified to reflect this new view of the trading environment and the organization's targets, there is increased customer and dealer satisfaction. There is more of a market focus, with maximized use of the organization's resources. Full emphasis can be made of any competitive edge and, overall, the organization has a clearer sense of direction. Through enhanced internal communications, this direction is more widely understood and pushed through, and not only by the marketing function.

Summary

Most marketing practitioners acknowledge the need for market segmentation, but far fewer successfully implement the process. Those trying to apply the principles of segmentation theory may encounter a number of practical difficulties and barriers which get in the way of implementation. The result may be a combination of inadequate marketing analysis, inappropriate strategies or marketing programs which fail to reflect the strategies determined.

This paper presents a program which has taken many management teams through the market segmentation process. The program assumes that to segment or resegment a market requires the collection and analysis of market information, the determination of segment strategies and the development of relevant marketing programs. At each stage in the process, the potential exists for breakdown. The program, which has been devised in conjunction with several international industrial organizations, combines workshops, documentation, discussion groups, presentations and a help-line to minimize barriers to segmentation implementation.

Successful implementation

Successful implementation of the segmentation program requires a series of inputs. These include various core marketing analyses, strategic thinking on new/revised segmentation schemes and programs for implementation. If combined effectively, these inputs result in a variety of outputs or benefits. Outputs can be considered at two levels, primary and secondary. The primary outputs relate to the well documented benefits associated with market segmentation: a way of segmenting the market which puts the needs and satisfaction of the customer (and the supplying organization) to the forefront, provides more efficient use of resources and maximizes strengths over competitors. The secondary outputs are extra benefits which can help the organization operationally, in marketing and other functional areas. For example, improved understanding of the market, environmental trends, competitors and internal capabilities leads to better supplier and customer relations; procedures are developed for communicating marketing intelligence; the level and frequency of internal communication improves; working morale rises, while sales and marketing managers, as well as other functional areas and even senior management gain a fresh insight and much more of a market focus.

The program which has been described can help organizations overcome the implementation difficulties so often associated with market segmentation. The core analyses feed directly into a revised and strengthened target market strategy and brand positioning, which are reflected in the suggested marketing programs and product portfolio. The whole process is made more manageable, with clear goals monitored at each stage.

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This summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article* in toto *to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present

Executive summary and implications for managers and executives

Making market segmentation work

No marketer seriously believes their market to be homogeneous. Yet, as businesses grow they often leap from the ultimate in individual customer care to a process of delivering sameness in the product and service regardless of the customer's needs. Hence the need for a theory of market segmentation rooted not in the fact that markets are heterogeneous but in the practical issues of how to identify this variety and develop marketing systems to exploit our knowledge.

Dibb and Simkin set out to create what they call a program for market segmentation based on solving the practical challenges facing a business. Only occasionally do they stray into academic hubris which – for an article of this type – is welcome! Identifying the problems is often fairly easy – at least in simplistic terms. But putting together a way out of that problem represents the greater challenge for researchers and practitioners alike.

Dibb and Simkin establish that a market segmentation strategy is programmatic in that it moves from analysis through strategy definition to the program itself. They complete the circle by stressing the importance of post-program analysis. And they identify that many of the problems lie not in the program elements themselves but in the procedure to get from one stage to the next. It is in moving from analysis to strategy and from strategy to marketing implementation that problems arise rather than in the self-contained elements of the process.

Creating the strategy

Too often, Dibb and Simkin contend, managers rely on intuition rather than hard evidence in defining strategies. This results from market intelligence being inadequate or unavailable to those defining the strategy. There is also, as most experienced managers know, a tendency to reject information conflicting with a particular view of the marketplace. Strategy is also, very often, the result of ideological obsession rather than problem identification and problem solving. A business decides that its strategy is determined by a set of techniques rather than through an assessment of those techniques' effectiveness and relevance to market segments. Even when detailed analysis of the marketplace is available it is useless if the segments identified cannot be defined in practical terms.

Turning strategy into action

If the strategy builds on impractical groups and relies too much on the gut-feel of managers it will fail at the implementation stage. Managers charged with implementing a strategy will themselves rely on "tried and tested" methods unexposed to rigorous assessment. As one of Dibb and Simkin's examples demonstrates, you cannot apply even the most scientific of segmentations if it isn't founded on descriptors such as demographics. Unless marketers can physically identify the target group, all the segmentation in the world won't lead to specific, targeted programs.

Another risk with segmentation strategies is the implied need to vary either marketing channels or communications approaches. On paper these changes can seem attractive – even exciting — but they can also confuse the customer and damage relationships. Any drastic change implied by a *strategy needs careful implementation and the involvement of the customer if it is to succeed.*

Refining the strategy

Once a program is in place marketers cannot sit back and watch the bucks roll in. After all, your exciting strategy is changing the market itself and, in doing so, will become obsolete without constant attention to its details. Yet, in my experience, analysis of marketing results – beyond looking at the bottom line – is so far down some marketers' action list as to be virtually invisible. Segmentation strategies are no different from communications. They need continued refinement at both tactical and strategic levels if they are to remain valid and actionable.

How to get a great segmentation strategy

Having demonstrated the need for a fluid process from intelligence gathering through strategy formulation to implementation, Dibb and Simkin describe their approach – tested with a number of large organizations. With running through the details of the program it is fair to set out the following key points:

(1) Effective segmentation requires management commitment and an appreciation that marketing is not just the domain of functional specialists but involves a company-wide commitment.

(2) The process should not be long-winded but must allow for the capabilities of the firm at the various program stages. As Dibb and Simkin comment, some of the firms using the program took longer to gather relevant information, while others needed a longer period to formulate marketing plans.

(3) A facilitator is required – ideally an outside consultant – to insure that the process holds together. In addition this person can challenge the prevailing marketing ideology at a firm if it contradicts the strategy.

(4) Any segmentation strategy must encompass performance measures and benchmarking. Without these elements any appraisal of the implementation becomes once again a matter of guesswork and simplistic analysis.

Ultimately, any program is measured by its success in securing advantages for the organization concerned. Dibb and Simkin hint at the successes of their program in large organizations, demonstrating that the rigorous approach chosen rewards senior management commitment to a carefully thought out segmentation process. With this in mind managers would do well to think about their current segmentation approach (assuming they have one) and to contrast it with the program outlined in this article.

(A précis of the article "A program for implementing market segmentation". Supplied by Marketing Consultants for MCB University Press)

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