Marketing Segmentation: Your Role For Diversity in Dynamical Systems

Segmentação de Mercado: Seu Papel Para a Diversidade em Sistemas Dinâmicos

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Abstract

The process of market segmentation is a frequent task in the routine of professionals in business organizations. One of the difficulties of the task is to identify groups of consumers that are internally homogenous and, in relation to other groups, heterogenous, in order to make accurate marketing decisions. The idyossincrasies of modern day consumer changes the dimensions, significance and meaning of consumer experiences and directly impacts the processes and methods of market segmentation. This study reassesses the methods of segmentation, simultaneously considering the development of the concepts and the current changes in consumers’ characteristics. In this paper, the singularities of the segmentation methods and their importance as foundation providers to the decision making process in marketing are synthetically reviewed. The paper also discusses contributions from marketing, economics, sociology, psychology and anthropology which could assist in the formulation of a research proposal that addresses the future of market segmentation.

Keywords: Market Segmentation, consumer, marketing, market, diversity.

Resumo

O processo de segmentação de mercado é uma tarefa constante na rotina de profissionais em organizações empresariais. Uma das dificuldades da tarefa é identificar grupos de consumidores que são internamente homogêneos e, em relação a outros grupos, heterogêneos, a fim de tomar decisões de marketing precisas. Os idyossincrasies do comportamento moderno do consumidor mudam as dimensões, importância e significado das experiências de consumo e afeta diretamente os processos e métodos de segmentação de mercado. Este estudo reavalia os métodos de segmentação, considerando, simultaneamente, o desenvolvimento dos conceitos e as mudanças atuais nas características dos consumidores. Neste trabalho, as singularidades dos métodos de segmentação e sua importância como fornecedores de fundação para o processo de tomada de decisão em marketing são sinteticamente analisadas. O artigo também discute as contribuições de marketing, economia, sociologia, psicologia e antropologia, que poderiam ajudar na formulação de uma proposta de pesquisa que aborda o futuro da segmentação de mercado.

Palavras-chave: Segmentação de mercado, consumidor, marketing, mercado, diversidade.

1. Introdução

A characteristic of strategic strategies is to assure the accomplishment of the company’s growth objectives over time, by evaluating the present and intended strategic business units and carrying out a strategic analysis for resource allocation (DOMINICI, 2009; PASWAN, BLANKSON and GUZMAN, 2011; WILLIAMS and PAGE, 2011). The aim of those strategies is to decide on the business transactions a company will undertake and the amount of resources necessary to maintain them. There are five possible growth strategies for a company, of which three are related to intensive growth, and are described below. Intensive growth strategies are aimed at identifying growth opportunities for the companies’ present business and can be configured as, market penetration, market development and product development. The integrated growth strategy is aimed at identifying growth opportunities in business transactions related to the present ones. They may try to acquire
companies upstream or downstream, or try to accomplish horizontal integration through consolidations or takeovers. Finally, the company can choose a diversified growth strategy, where it tries to identify growth opportunities in businesses unrelated to the present ones. The decision to invest in a company will depend on the structure of the industry analyzed, on a case-by-case basis (DOMINICI, 2009; PASWAN, BLANKSON and GUZMAN, 2011; WILLIAMS and PAGE, 2011). There are five competitive forces that affect the attractiveness and competitiveness of a given industry. Those forces refer to the potential entrances, the sellers’ and buyers’ bargaining power, the threat of substitute products, and finally competition with other present companies. Add that any diversified organization needs to find marketing methods to appraise the balance among businesses in its portfolio and aid in resource allocation among them.

Marketing is considered the integrating element and driver of the entire organizational process that involves exchanges (DOMINICI, 2009; PASWAN, BLANKSON and GUZMAN, 2011; WILLIAMS and PAGE, 2011). Thus, the exchanges that occur in a specific society and its facilitating institutions make up its Marketing system (ETZEL and WALKER, 1974). The Marketing system requires examination of the market in terms of trends, events and market demands, as well as those long term opportunities (ROBINSON, 1988; D’ESOPO and ALMQUIST, 2007). In this case, the effort involved in the analysis is prospective and aims to raise and evaluate market segments to be exploited by the company. In this context, the concepts of Marketing Segmentation, Positioning and Target Market arise, comprising the core of the company’s strategic marketing (DOMINICI, 2009; PASWAN, BLANKSON and GUZMAN, 2011; WILLIAMS and PAGE, 2011). It is in this context that the strategic dimension of market segmentation reveals its importance to Marketing activities.

Following the footsteps of economics, psychology and sociology towards the process of market segmentation, we identified the need to redefine the dimensions necessary to determine consumer groups which, internally, are as homogeneous as possible and as heterogeneous as possible between themselves. The reality of the modern consumer changes the dimensions, significances and meaning of consumer experiences and causes direct impact on the processes and methods of market segmentation (DOMINICI, 2009; PASWAN, BLANKSON and GUZMAN, 2011; WILLIAMS and PAGE, 2011). This study reassesses these methods while considering the development of the concepts and current changes in consumers’ characteristics. The singularities of segmentation methods and their importance as providing foundation to the decision making process in marketing are synthetically prominent. The study leads to the reflection on how market segmentation should adapt to these changes and the complex reality of today’s consumers.

In light of this, the importance of a scientific paper seems self-evident. The reason for choosing this method refers to its “problematical” and non-dogmatic nature. And it should highlight the critical thinking and originality of the author (ANDREWS 2003; COLLIS and HUSSEY 2010; LINDSAY, BREEN and JENKINS 2002). The author is offered greater freedom to advocate a given position when producing a paper or article, without having to rely on the rigorous and objective apparatus of empirical documentation and literature. In fact, articles still need logical rigor and consistency of argumentation and, therefore, it requires cultural information and intellectual maturity (ANDREWS 2003; COLLIS and HUSSEY 2010; LINDSAY, BREEN and JENKINS 2002). This paper proposes a formal, discursive and conclusive analysis of the aspects inherent in the process of segmentation in dynamic markets.

### 2. Market Segmentation

The market consists of all potential consumers with shared needs and desires who are willing to satisfy them through products or services (CZINKOTA, KOTABE and MERCER, 1996). In this context, the segmentation process is mandatory. Because it involves the division of markets into groups of potential consumers with needs and/or similar characteristics (WEINSTEIN, 1993; BONNE and KURTZ, 1995; KOTLER, 1999). According to Lambin (1989) the initial division of the entire market into subsets which are designated by market segments. They must be homogeneous from the perspective of the needs, behaviors, buying motivations and likely to constitute different markets. By analyzing the concepts that define the types of market segmentation, it is possible to identify differences regarding the approach.

Blackwell, Mjniard and Engel (2005) are authors whose studies are focused on consumer behavior. They make use of this perspective to explain the phenomena of marketing and market segmentation. According to them, the decisions made by the consumers are influenced and shaped by several factors and determinants that are defined in three categories: individual differences, environment influences and psychological processes. They identify five factors or determinants of individual differences that affect the behavior of individuals:

- Demographic;
- Psychographic;
- Motivation;
These individuals or consumers live in a complex environment that is defined by five factors:

- **Culture**: refers to values, ideas and other meaningful symbols that help individuals to communicate, interpret and make their evaluations as members of society;
- **Social class**: the divisions of society established in terms of values, interests, and similar behaviors; the divisions of socioeconomic status affect consumer behavior;
- **Family**: represents the first reference of decision and choice patterns and for this reason, it forms the basis of an individual’s behavior;
- **Influence of people**: consumers and their behaviors are affected by the individuals who make up their closest relationships; these people represent pressures or expectations that interfere with human behavior;
- **Situation**: behaviors change as situations change, sometimes these changes are radical and unpredictable and sometimes they follow a certain pattern.

Finally, in order to understand the range of factors that influence consumer behavior, it is necessary to know the three bases of a consumer’s psychological process:

- **Information process**: research on how information is processed indicates the paths to be chosen for more effective communication; it is necessary to understand how information is captured, transformed, reduced, elaborated, stored, recovered and transmitted by the individual;
- **Learning process**: refers to the mechanisms that can influence the consumer; in order to happen they involve a learning process on the part of the individual;
- **Changes in attitude and behavior**: there is an attempt to understand the mechanisms that cause the changes in attitude and behavior of individuals as well as the circumstances under which they may occur.

In addition, there is the demographic study and its variances. The study of demographics is defined by the size, structure and distribution of the population. The analysis of demographic trends associated or not with economic characteristics can be used to predict changes in demand and consumption for products and services by monitoring the population groups over time (SMITH, 1956; HITT, FREEMAN and HARRISON, 2006). On the other hand, the geo-demographic analysis refers to the assessment of the place where people live, how they earn and spend their money, etc. This analysis considers the combination of age and income, consumer expectations, as well as housing conditions, jobs, rates of poverty and wealth, markets (PERREAULT, CANNON and MCARTHY, 2009). Therefore, understanding the geo-demographic factors is important to understand consumer behavior and implement market segmentation.

Another factor that appears of interest for understanding the market is the analysis of individual differences, such as personality, values and consumers’ lifestyle (PERREAULT, CANNON and MCARTHY, 2009). This analysis involves the study of the consumer’s personality or values, in response to stimuli from the environment. Personal values, as well as attitudes, represent the beliefs that individuals have towards life and what constitutes acceptable behaviors. However, values are different from attitudes, as they transcend situations or events for being rooted in the structure of personality. Values represent three universal human needs, biological needs, requisites for social interaction and the survival and operation of groups. They have an affect primarily at times in which consumers are in the phase of testing products and services. Lifestyle is defined by the patterns of how an individual lives, spends time and money and how this is reflected in their activities, interests and opinions (MACKEY, 2006). The concept of lifestyle is used to interpret, conceptualize and predict events, as well as to associate values with these events. Values are relatively durable, but lifestyle may change more rapidly. Blackwell, Miniard and Engel (2005) define psychographics as an operational method for measuring lifestyle. It provides quantitative information that can be used to segment markets. It can also be used for qualitative research and has the function of explaining the reasons for purchase. Usually, the term is used to describe consumers’ activities, interests and opinions. Weinstein (1993) is another author whose foundations of segmentation are based on consumers’ values through the analysis of consumer behavior. He describes five dimensions in the process of market or consumer segmentation:

- **Geographic**, the starting point for market segmentation, called geographic segmentation;
- **Socioeconomic**, closely related to demographics and used to analyze population in terms of social and economic classes. This type of segmentation is called demographic and socioeconomic;
Rate of use, the basis of this segmentation relates to a compilation of product consumption levels in a given market. It also takes into account the fact that individuals act differently depending on the situation or occasion of use;

Benefits, which investigate the reasons of a user’s purchase and is directly related to consumer behavior studies. A compilation of the main benefits is analyzed in the determination of market segments.

There are also subdivisions of behavioral segmentation related to the perceptions and preferences of individuals, or the image and concept that they have towards products, services or brands and that is also related to the type of media that most influences their decision-making (WEINSTEIN, 1993). Czinkota, Kotabe and Mercer (1996) comprise a group of authors with academic background and focus of study related to marketing, global market and psychology issues. This background reflects how they deal with issues involving segmentation. According to them, market segmentation is related to the behavior of consumers, who can be divided according to their characteristics, responses and reactions. The characteristics of the consumers reflect who purchases:

- Geographically: region, urban, rural, etc.;
- Demographically: age, marital status, etc.;
- Socioeconomically: income, social class, occupation, etc.;
- Culturally: lifestyle, etc.

Consumers’ reactions are based on what they buy:

- Occasion of use;
- Benefits;
- Frequency of use;
- Attitudes,
- Including loyalty.

The characteristics are important to determine a specific market and they are essential to outline buying behavior. They are relevant tools for segmentation. Boone and Kurtz (1995, 2011) are dedicated to the study of business in Administration and Marketing. According to them, market segmentation results from the isolation of factors that distinguish a certain group of consumers from a global market. The four most commonly used bases for segmenting consumer markets are geographic, demographic, psychographic and product-based segmentation. According to Boone and Kurtz (1995, 2011), geographic segmentation is a logical starting point for segmentation, as it examines the characteristics of the population. It consists of the division of an overall market into homogeneous groups based on locations. Although buying decisions do not characterize geographic areas, this segmentation approach is useful to recognize not only specific patterns of the product, but also general buying trends. In many cases, the goods and services market can be divided based on geographical criteria and some categories are more prone to regional preferences than others. Therefore, geographic segmentation is beneficial when there are regional preferences. Demographic segmentation is the most common approach to segment the market. It consists of the division of consumer groups based on variables such as gender, age, income, occupation, education, family size and stage in the life cycle of the family. It is sometimes called socioeconomic segmentation. The variables most commonly used in demographic segmentation are described below according to importance:

- By gender;
- By age;
- By stage in the family life cycle;
- By type of family;
- By income and patterns of expenses;
- Demographic abroad.

Although definitions may vary among researchers, psychographic segmentation refers to the segmentation through different profiles of consumers’ lifestyle. These profiles are developed based on statements related to activities, interests and opinions. They address the lifestyle or day to day living (SOLOMON, 2009). They are seen as a psychological combination of needs, reasons, perceptions and attitudes. A lifestyle also brings signs from other influences such as family, employment, social and cultural activities. It is a useful approach to focus on very specific segments and helps to predict and understand consumer preferences. Psychographic segmentation works as a complement to segmentations by geographic or demographic variables (BOONE and KURTZ, 1995; 2011).

Product-based segmentation involves the division of the population into homogeneous groups, focused on the characteristics of the consumer relation with the product. It may assume the following approaches (BOONE and KURTZ, 1995; 2011):
• By benefits sought: focused on the attributes that individuals look for in a product or service and the benefits they expect to receive in return. It groups consumers based on what they expect from a product. It is important to note, however, that although two individuals buy the same product, they may do it for different reasons.
• By rate of use: the grouping of people based on the volume of a product they buy and use.
• By brand loyalty: related to the degree of loyalty that a group of people has towards a specific product.

In order to carry out the process of market segmentation, it is necessary to determine the basis for identifying markets, classifying the characteristics of potential buyers and using the data collected to subsequently perform the market analysis. Lambin (1989, 1996), in his studies on segmentation, relies on the concepts of Marketing, Advertising and Economics. For him, market segmentation can be done in four different ways:

1. Socio-demographic is segmentation a posteriori. It highlights the description of individuals who constitute the segment rather than analysis of the factors that explain its formation;
2. Buying behavior makes use of different criteria, such as: user status, which allows a distinction between users, non-users, heavy users, regular or irregular users; rate of use of the product, which seeks to identify which segment of individuals is responsible for the consumption volume of a product; loyalty, where consumers of products purchased several times can be grouped into consumers with unconditional loyalty, non-exclusive loyalty or non-loyalty; sensitivity to a marketing factor;
3. Socio-cultural arises from the idea that individuals, who are greatly different in socioeconomic terms, may have very similar behaviors and the opposite may also occur;
4. Benefits sought, valuing the differences in the systems of individuals’ values. These individuals may have exactly identical socio-demographic characteristics but have very different systems of values.

From the perspective of Kotler and Armstrong (2011) segmenting the market involves:

• Geographic segmentation, which comprises the division of the market into different geographical entities, such as countries, states, regions, municipalities, cities or districts;
• Demographic segmentation, which consists of the market division into different groups based on demographic variables, such as age, gender, family size, family life cycle, income, occupation, education level, religion, race and nationality.

Nonetheless, the market may also be segmented based on economics, more precisely, on microeconomics. The market segmentation process, according to the economic approach, will group individuals who have similarities regarding budget constraint, sensitivity to the product price and the intention to maximize utility (DOUGLAS and ISHERWOOD, 1996; KREPS, 2004; PINDYCK and RUBINFELD, 2009). In the microeconomic approach to market segmentation, a singular point is the answer to the common question from the legal field: “Cui bono?” To the economist, the ultimate purpose of market segmentation, with the corresponding price discrimination, is the extraction of the largest portion of the consumer surplus, as candidly admitted, for instance, by Kreps (2004). Whatever the approach to the market segmentation process, the authors agree that it is necessary to observe four criteria for the process to be feasible and effective. In order to be useful, market segments must have the following characteristics (CZINKOTA, KOTABE and MERCER, 1996; KOTLER, 1999; BOONE and KURTZ, 1995; 2011):

• Measurability: the size, purchasing power and profiles of the segments must be measurable;
• Accessibility: it is necessary to be able to effectively reach and serve the market segments;
• Substantiality: the market segments need to be large or profitable enough to justify their activation;
• Operability: market segments should allow the planning of effective programs aimed at them.

3. Critical Discussion

The first studies addressing behavior and consumption date back to the early twentieth century and are based on the economist’s perspective: “the economist argues that the human being is positive and that its desire for objects is the result of rational decisions.” In the 1930s, Sigmund Freud’s psychoanalytic theories emerged. They have provided the bases of the psychology of consumer behavior: “the psychologist notes that the human being is emotional and that its consumption is driven by conscious and unconscious emotions.” Sociology defines that “humans are social and therefore consumption is influenced by the rules of the groups to which the individual belongs.” In these approaches lie the foundations of the forms of market segmentation discussed here.

Below we present an illustrative hypothetical case. The intention is to find out whether two individuals belong to
different market segments. It involves two individuals who live in different cities. The first individual has an income exceeding five thousand dollars per month, higher education, married, two children, and owner of his house. The second person has an income of two thousand dollars per month, high school, single, no children and lives with his parents. On the other hand, the two individuals are engaged in social causes and use their mobile phone every day. The geographic and socioeconomic approaches would lean towards a classification into distinct segments. A psychographic and behavioral approach could also lead to this. What would have to be taken into account, then? At this point, the analysis of an anthropological approach can be relevant.

In Anthropology, the behavior of a potential consumer is directly related to the culture and society to which the individual belongs (DOUGLAS and ISHERWOOD, 1996). The needs are invented and sustained by the current culture. Thus, the objects are desired to be donated or shared, or to fulfill social obligations. For the anthropologist, consumption translates many of our social relations; it is a code that allows us to interpret social roles, living life in society. Therefore, by consuming, the individual is exercising a system of classification of the world deriving from him or herself. Consumption can be inclusive or exclusive. It is inclusive when it adds others to a group (“it creates bridges”); exclusive when it restricts access to the group, when it segregates (“it creates barriers”). One should understand the metaphorical character of the goods and services purchased. It is based on this meaning that it is possible to realize the reasons that promote consumption. What is consumed is part of an active information system. And why do people want what they want? It is always about control. And how about their tastes? The social structure. Then, from the anthropological perspective, consumption is similar to a code that translates many of our social relations and is used to classify goods, services and, consequently, individuals and groups.

Diversity and the need to belong is a fundamental characteristic of individuals today. The idea is the duality that exists in our time, where there is the possibility of a variety of styles, modes, of different versions of “I” or personalities. It is a recent phenomenon that is opposed to a status of other times when there were “models” established and recognized by society and legitimized by it. People were raised according to patterns and models and reproduced these same patterns and models throughout life. Each individual had to follow one of the profiles accepted by society. This period is called modernity by Brown (1993) and Goulding (2003) and refers to society, culture and the individual until the twentieth century. These authors demonstrate the disruption of this pattern, giving rise to the so-called post modernity (XXI century). In modernity, there was a search for objectivity, rationality and universality (BROWN, 1993). In contrast, post modernity rejects order and coherence. It accepts that the world experiences chaos and fragmentation and therefore the capacity for generalizations should be seen as limited; there are no universal truths, the physical and human diversity, uncertainty, the lack of definitive explanations are recognized (BROWN, 1993). In the context of the twenty-first century, there is a plurality of types; each one rehearses the possibility of being unique and thus more loyal to their own beliefs. This change is a result of the processes that society has undergone over time. On the one hand, we have identity; how we distinguish ourselves from other beings. On the other hand, the origin, the pole in which identity is defined: the environment and the other (individual). A mental adjustment is required from the individual as a result of the social and cultural environment. And also the physical adaptation to the physical environment where the individual lives.

However, there is perhaps a side effect of this phenomenon: the need to belong, to be part of a group, of not being unique and therefore isolated. The social individual is associated with gregarious characteristics. The conflict is then established as the “unique individual” must find aspects in common with other individuals in order to integrate, be part of a group. But why be part of a group? Because group structures promote protection for their members. It is integration that generates the bonds, affections that humans still need. However, the individual may belong to many groups, each representing one of the “personalities”, which vary in time and in the context of their daily lives. Consumers look for several symbolic meanings through their consumption habits, which take place in the environment where they are continuously involved.

Therefore, by employing the segmentation process and its methods (criteria, bases, types, etc.) analyzed so far, it fails for not considering the possibilities of various “personalities” existing in one person. Thus, it requires reassessment of the example of the two individuals in which, in principle, it was prone to classify them into different market segments. The fact that the two individuals are engaged in social causes and that they use their mobile frequently leads us to cultural and social factors, to the symbolic character of these characteristics. Under this other perspective, it can be noticed that they may be part of the same group and the same market segment. Thus, anthropology can provide another important basis for the market segmentation process and corroborate with Marketing analyzes.

4. Final Considerations
The main purpose of this paper was to present the evolution of thinking regarding market segmentation and draw
attention to the changes that can be perceived in the grouping of modern individuals. People are the result of their many “personalities” that emerge due to time and circumstances. The consequences are visible on the choices of products and their different meanings, which are connected to variations in the environment where the person is. The bases for market segmentation can be extended and anthropology promotes an understanding of the symbolic dimensions of consumption. Given the complexity of the potential consumer, other fronts are arising which aim to capture other factors that may affect consumption patterns. Marketing, on the other hand, makes use of neuroscience to try to understand how the processes of choice occur inside our brain. It is the attempt to decipher how the brain functions to provide the basis for a better understanding of the processes of choice in consumption behaviors. This is a challenge for our times: despite the individualizing characteristic, being able to accept human variety and live in an inclusive manner with diversity. The challenge to understand consumer behavior is therefore: the ability to identify the various “personalities” of each individual and its various groups of relevance; the characteristics of each group, their values and beliefs. It is necessary to realize the biological, economic, social (hence cultural), psychological, anthropological, and even the neurological characteristics of the individual, consider all facets of consumption, to finally be able to determine the methods and the market segmentation process in line with the contemporary world.

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