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Challenges of defining and implementing strategic market segmentation.

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postgraduate degree of Masters in Business Administration**

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ABSTRACT

Much has been written about the discipline of market segmentation as both a marketing competency and ultimately a valuable component of overarching business strategy. Organisations have demonstrated the practical benefits of harnessing segmentation in various market contexts and shown the theoretical constructs of the discipline to be sustainably sound in their capacity to guide businesses towards strategic portfolio optimisation. Despite this rich history however, recent academic investigation has highlighted that deep complexity plagues the effectiveness with which segmentation is harnessed with significant impact on business outcomes.

This study was developed from a curiosity to explore some of the identified gaps with specific reference to how these manifest within the South African operating environment. Detailed review of literary perspective on the matter highlighted topical aspects that were deemed meaningful to use as a roadmap to guide the study investigations. Research data was collated from seasoned South African marketing practitioners and used to evaluate their practical experiences of defining and implementing market segmentation against established academic perspective. The study was purely qualitative with data being collected through 10 in-depth interviews that were conducted with target respondents from 10 different organisations across six industry sectors.

The findings were analysed using a recently released version of leading qualitative data analysis software enabling the identification of key themes and the construction of resulting association maps. The ensuing network maps ultimately enabled the construction of a consolidated organisational interaction map that typifies the stated experiences of South African marketers in their attempts to leverage and optimize strategic value from market segmentation for their organisations.

Key Words

Market segmentation; segmentation practice; segmentation variables; strategy; market research

DECLARATION

I declare that this research report is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any other degree or examination in any other University. I further declare that I obtained the necessary authorization and consent to carry out this research.

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1. INTRODUCTION TO RESEARCH PROBLEM

1.1. Introduction

The opening extract of Barry Hedley's 1976 article entitled "A Fundamental approach to Strategy Development" reads,

"The problem of developing sound business strategy is probably more difficult now than it has been at any time since the war. In the midst of conflicting pressures of inflation, recession, unemployment, business failures, and social and political upheaval, today's business man faces an environment which is both unfamiliar and uncertain" (Hedley, 1976, p. 2).

Three decades later and the startling reality is that the only change that is required for this statement to be completely applicable today, is the reference to the post world war context. An ensuing suggestion is made that, the key to getting strategy development right in such a context is to focus on the fundamentals. Two levers are essential, firstly the ability to identify the underlying drivers with sustainable effect that are critical for success of a business at an individual level and secondly, establishing frameworks for effectively allocating resources in a way that enhances the performance of the identified drivers (Hedley, 1976).

The concept of marketers needing to champion their organisations efforts to accept, anticipate and interpret divergent demand (Smith, 1956) was recognised in an era when industry was arguably far less complex. Chief Executive Officers look to their Chief Marketing Officers to drive relevant marketing strategies to maximise value from customer relationships and demonstrate shareholder value creation (Wills & Webb, 2006). However, to date marketing functions across firms are said to be failing to deliver on both these imperatives. The root cause seems to lie in the suggestion that marketers have lost their profile as strategists and are now struggling to shake off the characterisation of being tacticians with almost no impact on the core metrics of their firms' performance (Kumar & Shah, 2009).

The question of the role of marketing has been tackled by many authorities. The American Marketing Association (AMA), a globally accepted standards authority,

endorsed a revised definition of marketing as “the activity, set of institutions and processes, for creating, communicating, delivering and exchanging offerings that have value for customers, clients, marketers and society at large” (Gundlach & Wilkie, 2009, p. 262). Much debate continues to be held in a quest to further refine this definition however the central theme of marketing playing a strategic role in delivering and capturing value from target customers as a cornerstone for superior business performance is held undisputed as a core function of the discipline.

In distilling the pivotal pillars of the marketing functions activities, a perspective is given that the most important strategic decisions that need to be championed by the marketing department are positioning and segmentation (Zahay & Griffin, 2010). Positioning being how the business unit as a whole delivers value to customers, whilst segmentation is the process of selecting which customers best fit the chosen position to deliver optimal business performance (Zahay & Griffin, 2010).

This study will focus on the issue of market segmentation and seek to define in detail its role in the strategic armoury of the marketing function and ultimately business at large. The core practical challenges faced in harnessing segmentation will be explored in some detail comparing and contrasting academic perspective with operational field experiences of seasoned marketing practitioners. The opportunity will also be taken to venture into some technical aspects such as selection of appropriate variables and the challenges of trying to keep abreast with dynamic markets.

1.2. Research Problem

The research focus was to examine the challenges that have been encountered by marketing practitioners in their bid to generate value for their businesses by effectively defining and implementing strategic market segmentation using the South African market as the operating context. Such an investigation is set to add value to marketing practitioners, as well as scholars, by providing a consolidated view of the practical issues related to this integral aspect of the strategic marketing agenda.

The literature review highlights the importance of the discipline of strategic market segmentation as a cornerstone for success in business strategy. By compiling a summary perspective on literary propositions on this practice, the study effectively

contextualised the operational role of market segmentation. The aim was to identify new insight by capturing the practical experiences of a diverse spectrum of South African marketers from a cross-section of industries in their attempts to realise the investment value of segmentation initiatives. Whilst not all the end to end value chain aspects of the strategic market segmentation process were examined fully, focus on topical concerns is set to add incremental value by highlighting some practical experiences of senior practitioners.

For the sake of clarity of focus, distinction needs to be drawn between the terms market segmentation and customer segmentation. The former (the focus of this study) is intended to provide a descriptive account of the customer base in support of business, channel strategy and customer portfolio planning. The latter is typically a predictive and targeting technique for campaign planning using customer data mining and modelling techniques (Jenkinson, 2009, p. 127). This study focussed on market segmentation and its strategic role in business.

1.3. Research Scope

Greenberg and McDonald (1989) are cited to have coined two dimensions for analysing forms of failure in implementing market segmentation being engineering failures and mechanical flaws. Engineering failures pertain to the conceptualisation and implementation of market segmentation whilst mechanical flaws relate to the technical aspects of executing a segmentation study (Dolnicar & Lazarevski, 2009). This study addressed aspects of the former being engineering related issues of designing and implementing strategic market segmentation.

From a more granular angle, guidance was taken from the studies conducted by the Academy of Marketing's Special Interest Group in Market Segmentation on the future of segmentation research priorities which identified six levels of priority areas. This research project focussed on what were rated as the top two concerns being firstly, the approach taken in selecting segmentation variables and secondly issues of managerial implementation capability (Dibb & Simkin, 2009).

To set the scene, a detailed literature review was conducted examining the concept of market segmentation and its strategic role in doing business in customer facing contexts. The literature review also addressed the issue of segmentation variable selection illustrating the diversity and in instances, the complexity of this facet that practitioners need to address when executing a segmentation study. The final aspect framed the context of implementation capability required to achieve success.

The scope of the study was limited to application of strategic market segmentation in medium to large consumer facing organizations operating within the South African market. Whilst there was recognition that segmentation is highly relevant in other scenarios such as business to business contexts as well as not for profit endeavours, widening the study to include all these was avoided to prevent over extending the scope of the project and potentially diminishing the relevance to any specific context.

1.5 Relevance to South Africa

South Africa as part of the global economy is faced with global competitive realities that require local organizations to be robustly positioned to compete with global counterparts. A key metric that is recognised and respected is the Global Competitiveness Report that is conducted annually by the Global Benchmarking network. This study assesses the drivers of economic performance across more than 144 countries and creates a basket of key dimensions that help countries to evaluate themselves against their peers and also identify competency areas that are material for their effective ability to compete (World Economic Forum, 2012). An extract from the recently released 2012/2013 report gives a good indication of South Africa's current standing.

“South Africa is ranked 52nd this year, remaining the highest-ranked country in sub-Saharan Africa and the third-placed among the BRICS economies. The country benefits from the large size of its economy, particularly by regional standards (it ranks 25th in the market size pillar).

South Africa also does reasonably well in more complex areas such as business sophistication (38th) and innovation (42nd), benefitting from good scientific research institutions (34th) and strong collaboration between universities and the business sector in innovation (30th). These combined attributes make South Africa the most competitive economy in the region.”
(World Economic Forum, 2012)

The recognition and profile that comes from attaining such rankings despite being one of the younger democracies in the world, is posed to position South Africa as a compelling investment destination a much needed catalyst to stimulate and maintain economic growth. The challenge the country was highlighted in the report to face is that maintaining and growing from this base, requires rigorous focus in identifying and implementing world class competencies in all aspects of business endeavour (World Economic Forum, 2012).

South Africa is now one of the five officially recognised members of the rapidly advancing emerging nations BRICS grouping, alongside Brazil, Russia, China and India. A 2003 Goldman Sachs report on the then newly formed BRICS countries alliance, laid out a projected growth vision to 2050 which would see these countries outstripping the economic performance of the traditionally western based top economies. However, the report points out that much is dependent on the BRICs being

able to maintain policies and develop strong institutions that are supportive of this projected growth (Wilson & Purushothaman, 2003). Again the issue of globally competitive competencies is raised.

Closer to home, South Africa has attained clear economic leadership within the African continent and from this position enjoys spotlight attention as the preferred destination for business endeavours. Many multinationals see the country as a safe landing destination to base operations before advancing into the rest of the continent. Consequently, the country has seen greatly enhanced access to business competencies and is compelled to seek to benchmark local operating standards to continue to strengthen its continental leadership position.

Within the local domestic context, where the said competencies are practically nurtured, the grooming of effective domestic demand is a critical element in any economic growth endeavour. Macroeconomic studies clearly demonstrate the detrimental impact of weak domestic demand on a country's ability to perform economically on the global arena. The reality hence is that South African organisations are essentially obliged to embrace the challenge to continuously seek to sharpen their competencies in connecting with their domestic customers and growing local markets. Resource investment into progressively deepening capability towards greater finesse in understanding of the local market dynamics is a key proponent of improved domestic performance with longer term macro implications.

2. LITERATURE REVIEW

2.1. Introduction

Chapter 1 introduced the background to the research problem. The overarching business and strategic management frames were briefly described as the relevant context for the practice of marketing and more specifically market segmentation as part of the foundational tools of the marketing discipline. The relevance of the subject matter to South Africa was established highlighting the broader picture of resulting competitiveness outcomes that extend from domestic to global by nurturing value adding competencies. This chapter will detail the context and structure of strategic market segmentation as the principle theme of this study, from an academic perspective consolidating views from a number of published writings on the subject of market segmentation. Cohesive citing of a wide range of peer reviewed articles and published texts that interrogate the multiple facets of the topic will be included.

The review will start by defining key terms and then steadily expand into discussion on specific angles of the discipline such as variable selection and some guiding principles related to the practice of market segmentation Key challenges will be reviewed and a perspective formulated on where these are being faced. The chapter will reveal that literature presented an authoritative outlook on this topic that has steadily expanded over time fed by incremental enrichment from a global diversity of academic contributors.

2.2. The Role of Strategy in Business

The term and concept of strategy is well used in business. Literature indicated that it has its origins in the military where the concept has been harnessed to guide the development of approach in warfare. The US military is said to “approach war as a corporate affair requiring authoritative guidance to synchronize thought and action” towards a shared goal. A related definition suggested that “strategy represents an intellectual paradigm for a disciplined approach to achieving clarity and precision in the process of creatively employing resources to effectively achieve a policy or political outcome” (Davis, 2008, p. 94).

Strategic planning has become a critical aspect of doing business as it supports and identifies improvement opportunities for the underlying business. Emphasis on the participative role of executive leaders to endorse the importance and hence value of the strategic planning process is clearly positioned in literature as a driving force towards ensuring that strategic planning becomes a meaningful endeavour (Parke, 2012). In addition, the need for both horizontal and vertical alignment within and across all the organisational levels was also positioned as essential to align priorities.

The concept of prioritization was inextricably linked with the strategic planning. The reality of finite resources places a challenging task on the process to guide organizations towards the selection of choice endeavours to pursue and to be cognisant of the opportunity cost related to what is foregone. Strategic planning experts are largely aligned that these priorities need to be limited in number to enable focus for effective delivery. As a rule of thumb the suggestion is to limit these to five or less during any fiscal period (Parke, 2012). Against this backdrop, the internal competition for resources is an intense reality that requires business leaders to prudently review options and make informed tradeoffs guided by effective analysis tools and frameworks. In recent times, organizations have become acutely aware of the need to be more conscious of the needs and wants of their target customers. Consequently, an emerging trend has seen a growing number of executive leadership teams turning to marketing frameworks to help navigate the compounded complexity of shaping business strategies today (Simkin & Dibb, 2012).

2.3. Defining the Terms ‘Market’ and ‘Segmentation’

2.3.1. Defining the term ‘Market’

The definition of the term market presented itself as a pertinent starting point in trying to establish tunnel vision clarity about what is a fairly convoluted subject matter being addressed by this research. The origin of the term seems to be routed in industrial economics where Andrews (1949) author of the text Manufacturing Business, is cited to have understood the term to mean the group of customers for the product of a firm. From this definition, observation has been drawn that the use of the term market has no direct reference to sellers of a product, but rather to the buyers (Nightingale, 1978). Additional perspective further showed that the term “market” has been used to

represent more than a firm's set of customers, but also extends to being an institution which facilitates transactional changes of ownership (Nightingale, 1978).

Two distinct approaches to market definition and analysis are said to have evolved from different directions being a top down perspective versus a bottom-up view. The top-down reflects the needs of corporate and business level management whose focus is on understanding the capacity of a business entity in its entirety to compete and leverage resources to secure sustainable competitive advantage. The bottom up approach however, is typically employed by marketers and program managers guided by the framework of a chosen product or market. As early as 1977 Hopkins identified the need to reconcile the differences between the two approaches as both had potential to materially influence strategic choices. The solution to resolve the likely tensions seems to lie in developing the capability to harness both perspectives to achieve a more balanced view and accept multiple market definitions. It was noted that the bottom up view in particular has untapped potential to widen a business's view of its market (Day, 1981).

In exploring the scope opened up by the recommendation to examine multidimensional market definitions, three pillars were proposed as critical strategic business anchors. These are the choice of *technology* used in the provision of a particular *function* for a certain *customer group*. Technology represents the different ways in which any activity can be performed; function being the format of the product, service or solution provided to enable some specific benefit to an identified target customer group expected to consume the offering. Within markets the decisions taken by contenders relating to these pillars set the diverse range of operating levels bringing about competitive interaction across the total market and within served market pockets (Day, 1981).

Consequently, the task of grouping market cells to define a market is a difficult one in the face of a multitude of defensible criterion for grouping cells. To compound the problem, in most companies, limited budget and time resources render it undesirable to interpret and develop differentiated marketing plans for too many markets. The default preference is to formulate a market segmentation that results in as few clusters as possible to encapsulate the total target market (van Hattum & Hoijtink, 2010).

2.3.2. Defining the term ‘Segmentation’

A number of authors have accredited the initial introduction of the concept of segmentation in 1956 to Wendell Smith (Wedel & Kamakura, 2002; Quinn, 2009; Dolnicar & Lazarevski, 2009) driven by the then emerging imperative to recognise that consumers were not a homogenous body of individuals, with similar customs and desires (Smith, 1956). A definition put forward with a deliberate bias relevant to the context of business, simply states that “a segment is a group of elements that share similar characteristics that are strategically relevant” (Day, 1981, p. 283). By implication, markets consist of a multitude of segments that can either be broadly or narrowly defined as per the desired outcome or purpose.

The approach taken to segment a market in the definition process has been found to be dictated by the significance of the differences between potential segments and to be subject to hierarchies in the depth of distinction. At the top are strategic segments which a business must serve by applying totally different marketing mixes where virtually no elements of the end-to-end marketing program for one strategic segment are transferrable to another (Day, 1981). This is the realm of market segmentation. Most broad business areas can in fact be broken down into a number of business segments which have notably distinct economies. The challenge however lies in trying to discern the complexities that underpin the basis upon which a strategic segmentation should be effected. “The overall aim of segmentation can be summarised as the identification of product-market segments that are sufficiently distinct, economically and competitively, that it is meaningful to develop strategy for them separately as individual businesses” (Hedley, 1976, p. 10)

2.4. Market Segmentation

Market segmentation was proposed as the core process of identifying and analysing a target heterogeneous universe of consumers by breaking them down into subgroups of buyers with more homogenous within-group response characteristics enabling more efficient engagement (Smith, 1956). Following a market segmentation strategy was noted to increase the potential for a firm to improve its expected profitability (Wind, 1978). These early views have stood the test of time with the definition being endorsed in more recent literature backed by practical evidence based research. Companies benefit from seeking some levels of disaggregation of their markets that helps distinguishing segments especially where demand is heterogeneous (Wedel & Kamakura, 2002). The marketers challenge is not to create the segments but rather to identify them and decide which ones to target (Kotler, 2009).

The aim of segmentation was captured by Jenkinson in his article titled 'What happened to strategic segmentation', in which he stated that the goal of segmentation was "to identify ethnographically differentiated groups of people (the segment typology) who each have a potential level of shared meaning, attitudes, emotional response, behaviours and actual or potential relationship with the brand or organisation" (Jenkinson, 2009, p. 132). In its application, segmentation was set up to take account of the needs orientation, behavioural history and the level of financial contribution made by a specified customer community. For marketing practitioners, "segmentation that combines insight with descriptive, predictive and operational capability represents the most complete and powerful capability to back marketing execution when achievable" (Jenkinson, 2009, p. 124).

The quest for the optimal approach to segment markets for application in strategic marketing planning has challenged researchers and practitioners alike for decades. The escalated complexity of increasingly fragmented lifestyles has continued to deepen the difficulties encountered in attempts to get segmentation right (Quinn, 2009). Preliminary investigation into this subject reveals an array of segmentation approaches that have evolved over time in a bid to keep abreast with changing market dynamics."Various approaches that have been implemented include attitudes, benefits, demographics, life-stage, lifestyle, media usage, psychographics, self-concept, living standard and transaction history" (Webber, 2011, p. 311). What largely rang true

however was the fact that no single solution or choice of variable has presented a complete solution to accurately profile consumers for any organisation's products and or consumption occasions. As Kotler pointed out, even a segment is partly fictitious as it is not likely that everyone within the segment will want exactly the same things (Kotler, 2009).

2.4.1. Approaches to Market Segmentation

Studies of real-world segmentation have been designed to meet the challenge of capturing and reflecting the market complexities that marketers face. A good segmentation solution should result in the breakdown of a target universe into segment members that are as similar as possible within the segment and as dissimilar as possible between segments to enable some basis for distinction in treatment (Tuma, Decker, & Scholz, 2011). Complexity was noted to arise however, due to the fact that so many prescriptions of segmentation are context dependent. Dibb and Simkin (1996) who have written extensively on the matter, are cited to have made the observation that choosing the segmentation basis is a fairly subjective process and one cannot categorically assert that there is one particular best way to segment a particular market (Tonks, 2009, p. 342)

Beyond simple descriptors, the theory behind market segmentation has largely been approached from a managerial perspective. Basic building blocks have been used driven by both competitively diverse markets, financial imperatives and some strategic or operational purpose with the aim of attaining real or alleged enhancements in customer satisfaction. At a general level, market segmentation bluntly addresses market definition however within the frame of a more defined market; its approach can range from simple descriptions and market explanations through to the development of specific association or causation relationships between a chosen independent variable and a selection of dependent variables. Typically the independent variable tends to be more general characteristic and used as a pivot to establish relationships with other dependent variables (Tonks, 2009).

The last decades have seen gradual progression from traditional general variables such as geographic and demographic measures, towards more qualitative measures like lifestyle. Of late, these have given way to more current priorities including transnational segmentation and other multivariate segmentation methods as geodemographics, where composites of variable dimensions are jointly considered (Tonks, 2009). The relationship between the number of objects to be grouped and the number of variables selected was noted to be important as the size of the universe in scope drives the degree of representative validity attainable from the clustering exercise (Tuma, Decker, & Scholz, 2011).

2.5. Strategic Market Segmentation Practice

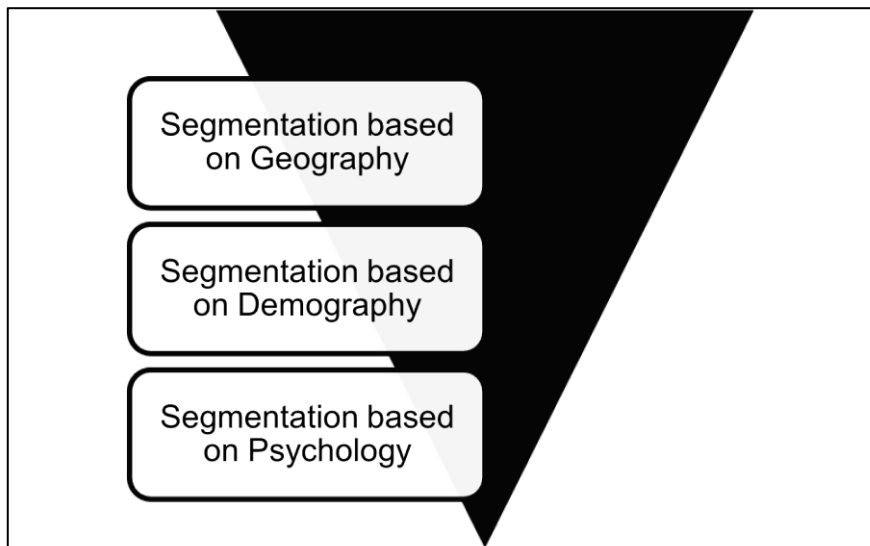
Peter Drucker was cited by Uslay, Morgan, & Sheth for his seminal contribution in establishing the link between business and marketing strategy, as being, the establishing of clarity over 'what is the core business, what will it be and what should it be' as a critical ingredient towards an enterprise maximising its wealth producing capacity (Uslay, Morgan, & Sheth, 2009). In its practice, marketing has developed into following a logical process from analyzing marketing opportunities; selecting target markets; designing marketing strategies; developing marketing programs and managing the implementation effort (Kotler, 2009). Evidence suggests that efficient and proactive marketing investment and strategy not only serve an organisation's performance interests as a standard business best practice, but also protect earnings during adverse times such as those created by the recently experienced economic recessionary conditions (Quinn & Dibb, 2010).

A more recent article asserted that "many people now believe that market segmentation is the key strategic concept in marketing today" (Tuma, Decker, & Scholz, 2011, p. 391). As the cornerstone of the marketing strategic agenda, market segmentation was shown to be useful in guiding a business in deciding how and where to allocate its resources to compete by identifying the most profitable customers (Dibb, 2005). Poor segmentation results in a company tailoring its marketing mix to the wrong segments leading to substantial business resources being expended on suboptimal segments and hence poor return on investment outcomes (Tuma, Decker, & Scholz, 2011).

It therefore follows that to yield effective application outcomes market segmentation needs to be considered early in the development of a market-driven business strategy. Discussion emphasis on the research methodology driven aspects of the market segmentation process were accused of clouding the fact that the driving endeavour is that of informing a marketing practitioner's strategic view of their marketplace (Wedel & Kamakura, 2002).

Venkatesh (2011) reflects back on how the discipline has evolved and suggests that the 1980s and 1990's saw an evolution of approach that embedded a set of bases or groupings along which markets were analysed to distinguish segments and guide strategy. These are illustrated in Figure 1 as a reverse pyramid to align with the funnelling analysis of how segmentation should be approached (Venkatesh, 2011).

Figure 1: Strategic Segmentation Groupings



(Venkatesh, 2011, p. 16)

The starting point recommended was to look at geographic location, the theory being that people who lived in the same areas tended to display similar needs and wants which accordingly differed from those of people in different areas (Venkatesh, 2011). However, progressive debate on this issue cautions against imposing definitions that are too simplistic such as geography which serve to stifle creativity and limit opportunity (Weinstein, 2006). Demography was the second basis proposed upholding the assumption that customers vary based on some characteristic about themselves being for example, age, life stage or family structure. This approach took route because of its effectiveness in helping marketers to establish tangible profiles within and between segments (Venkatesh, 2011). Conversely, as early as 1964 the seeds for debating the over reliance on demographic segmentation were planted. The assertion was made that "traditional demographic traits such as age, sex, education levels and income no longer said enough about target customers to serve as a complete basis for marketing strategy" (Yankelovich & Meer, 2006, p. 2).

The third stage of the analysis was positioned as psychographics which came to also be defined as lifestyle analysis addressing more intrinsic motivators such consumer personalities, attitudes and values (Venkatesh, 2011). From this base has progressed greater diversity in thinking widening the frame of definition options that the discipline now employs. This has steadily built on the idea that “relevant markets actually consist of a blend of customer needs, customer groups, competition, products and technologies” (Weinstein, 2006, p. 119) and has resulted in a much more expansive approach to market segmentation.

2.6. Identifying Variables

There was no clear consensus in the literature as to the number of classes of distinguishing variables that can be identified. A recent study conducted by Tuma, Decker, & Scholz (2011) across 200 journal articles summarised an illustrative perspective on the range of variables that have been used by marketers as well as some indication on the frequency as a suggestion of the popularity of their use (Tuma, Decker, & Scholz, 2011). The variables are listed in Table 1 below.

Table 1: Market Segmentation Variables Usage Frequencies

CHOICE OF VARIABLE	NOTED FREQUENCY
Demographics	64%
Socioeconomics	39%
Psychographics and lifestyle	30%
Behaviour	22%
Benefits	11%
Motivation	5%
Household lifecycle	2%
Value systems (e.g. Culture)	2%
Recency, Frequency	2%
Geodemographics	2%
Preferences	2%
Usage patterns	2%
Atmospheric variables	1%
Quality of life	1%
Emotions	1%
Ethics	1%
Image attributes	1%
Others	4%

(Tuma, Decker, & Scholz, 2011, p. 406)

In recent times, there has been steady emergence of substantial imperative to respond to the needs and wants of individual customers driven by data capture advancement. “The impact of this on segmentation theory is potentially substantial” (Dibb, 2001, p. 194). However the profitability of such levels of granularity remains problematic.

2.7. Challenges Faced In Strategic Market Segmentation Practice

Despite its long academic heritage, there were indications that segmentation has been failing to achieve its original objectives as practitioners have struggled with the actual practice of market segmentation. In recognition of this there was growing call for researchers to adjust their prioritisation and focus on supporting marketing managers' quest to identify new ways to segment markets and create customer value (Dibb & Simkin, 2009). A study conducted on managers in the UK clothing retail sector captured a number of challenges faced which included high pressure to identify tools and solutions that enabled them to respond to the rapidly evolving day-to-day pressures of their roles. Some managers deemed their "gross-level descriptive typologies" as sufficient for their purposes, whilst others could not give tangible evidence of return on the typically large investments required to execute segmentation solutions (Quinn, 2009, p. 265). In exploring the issues further in this study, focus was narrowed to the top two aspects selected for focus being selecting appropriate segmentation variables and the practicalities of implementing the segmentation study outcomes.

2.7.1. Selecting Appropriate Segmentation Variables

Discrepancy between the academic approach and the practice of real world practitioners in executing the art of segmentation has long been identified. Whilst segmentation has been one of the most researched academic areas of marketing, real world segmentation studies in contrast have remained simplistic and largely followed two patterns being a prior segmentation design or a clustering based design (Wind, 1978) also classified as post hoc design (Wedel & Kamakura, 2002). In the prior design approach management decides on a basis for segmentation, being the variables, such as customer type at the outset and hence the survey's task is to populate the characteristics and profile of the prior stated segments. In the cluster or post hoc approach segments are determined by clustering respondents into sets of relevant variables enabling the drawing of summary profiles and characteristics by cluster (Wind, 1978).

Little has been documented as evidence to demonstrate which may be the most effective approach of determining segmentation variables in any context (Quinn, 2009, p. 255). Variable selection was noted to be typically based on implicit assumptions, discretionary judgements and varying levels of cumulative experience as well as intuition from marketers (Tuma, Decker, & Scholz, 2011, p. 394). There appears to have been a clear gap in practical guidance on robust techniques to guide the choosing of segments and then analysing the business implications of pursuing them such as cost to serve. As a consequence, organisations have remained “simplistic and intuitive” in implementing market segmentation approaches (Quinn, 2009, p. 255). The concept of intuitive decision making is said to have gained more citation recognition in academic management literature in line with the managerial practice of extending reasoning beyond rational data and information into the realm of personal experience in an effort to simplify the process of making sense of particular situations (Quinn, 2009).

Further the increasingly fragmented consumer markets have resulted in greater volumes of data needing enhanced sophistication of analysis to triangulate insights. The multiplicity of segmentation approaches and the variety of variables may at face value have suggested increased potential for organisations to develop increasingly sophisticated segmentation frameworks, however an associated role of IT-support systems was noted to be a missing critical supporting requirement with far reaching cross functional interaction implications that even large organisations have struggled to realise (Quinn, 2009). As a consequence, “general coarse descriptors such as demographic and psychographic variables” have remained in prevalent use despite being too broad-scoped to be useful in predicting consumer preferences and or explaining consumer behaviour and product use (Tuma, Decker, & Scholz, 2011, p. 394).

The need to show appropriate validity, that is, appropriate fit between research design and the aspects it seeks to measure, as well as reliability, being consistency in research results, have become well established concepts when assessing quantitative research (Tonks, 2009). In the case of market segmentation variable selection however, fulfilment of these concepts remains problematic. Some intangible variables such as ‘lifestyle’ have been found to be challenging to quantify as understanding of exactly what is being measured is often illusive and context dependent.

The issue of validity was noted to be fundamental as it ultimately established the relevance or true value of alternative variables. A number of dimensions to validity have been defined, being construct validity which necessitates an exhaustive definition of a stated variable so as to clearly separate it from alternatives (Tonks, 2009). Content or face validity requires that the variable accurately reflect the domain of reference representing the extent to which the independent variable discriminates the dependent parameter in a useful way so as to achieve homogeneity within groups and heterogeneity across groups. Finally, criterion validity being the extent to which the available independent variables are associated with the dependent variable so as to support the establishment of either concurrent validity or predictive validity between the independent and dependent variables (Tonks, 2009).

2.7.2. Implementation: Bridging the Theory and Practice Divide

Despite the clear arguments for its effectiveness in channelling focus towards profitable business growth when effectively implemented, market segmentation has been attested to be notoriously fraught with challenges in its application and acceptance by internal constituents. Various authors have presented a diverse spectrum of perspectives to illustrate some of the root causes.

a) Marketing Practitioner Capability to 'do' Segmentation

Managers were noted to frequently lack the conceptual understanding of market segmentation and hence do not allocate sufficient focus and resources for its design and implementation (Dolnicar & Lazarevski, 2009). The importance of the marketer's ability to execute market segmentation was often underestimated in its impact on the resulting outcome of such studies. Whilst there has been steady evolution of increasingly sophisticated technical support from research practitioners in establishing the methodological rigour around the research process, the same cannot be said for implementation capability. The dearth of practical guidance required to ensure parallel rigour in informing business strategy and operational

application requirements has resulted in managers shying away from the more sophisticated segmentation schemes in favour of more intuitive simplification, introducing subjectivity to their segmentation decisions (Dibb & Simkin, 2009).

Practitioner capability limitations have also resulted in failure to capture the opportunity to deliver demonstrable business value by defining segments that add comparative advantage to the organisation. The tendency to default to generic variable definition has resulted in outcomes that are conventional, “probably used by competitors and therefore lacking in competitive insight and differentiation” (Jenkinson, 2009, p. 130).

b) Over Stretching the Mandate of the Segmentation Study

Another source of segmentation strategy failure was attributed to overly expansive mandates. Marketers were noted to have been prone to falling into the trap of casting their nets too wide and “trying to capture overly large amorphous customer groups” (Markey, du Toit, & Allen, 2006, p. 3). A further observation was made of the halo effect on the challenge of implementation that has extended from poor variable selection resulting in situations where intelligent, innovative and potentially successful techniques were often used with insufficient consideration of the contexts in which they were successfully pioneered (Webber, 2011).

c) Challenges in Closing the Theory versus Practice Gap.

Inadequately defined and or communicated objectives were also been noted as an aspect that plagues efforts to transition from the development of the theoretical constructs through to practical cross functional implementation. The situation was further exacerbated where a radical statistically driven multivariate approach was taken as this often resulted in wholesale changes to customer groups and target markets with heavy realignment demands on internal structures and personnel (Dibb & Simkin, 2009). Whether a radical or an incremental change approach was adopted, the issue of taking the rest of the business along on the transformation journey was highlighted as being key to achieving implementation success. Techniques such as setting up cross-functional work teams and workshops to widen the participation in the segmentation had far reaching incremental benefits which included amongst others, early buy-in into the final segmentation outcomes; cross functional review of strategic drivers such as

target customers, key competitors, market attractiveness and the business's capability fit with the emerging segments (Dibb & Simkin, 2009).

d) Inadequate Resourcing for Implementation

The phenomenon of inadequate resourcing for implementation was noted to have potential to impact the segmentation process in multiple ways. These range from tangible financial resources through to intangible aspects such as insufficient depth of capability to support the planning and development of the segmentation initiative (Dibb & Simkin, 2009). In addition aspects such as time allocation of appropriate personnel; adequate data availability and systems to support sustainable structures were highlighted (Dibb, 2005)

e) Organisation Culture and Other “Soft Barriers” (Dibb, 2005, p. 15)

Issues of alignment of prioritisation and focus; communication and change management implications were highlighted as sources of problematic barriers for effective market segmentation implementation (Dibb & Simkin, 2009). Various interaction touch points and practises set the tone for an organisation's culture. A key aspect of this however stems from the influence wielded by senior leadership. Executive sponsorship typically determines the priority or support emphasis that is placed on an initiative (Parke, 2012).

2.8. Perspectives On Getting Market Segmentation Right

In answering the question that arises of how to get segmentation right, the literature revealed that there is no single correct approach and or solution. Many divergent techniques have been applied in an equally diverse spectrum of contexts and shown to yield a result. The key measure of success has been found to lie in fulfilling the set of managerial requirements that informed the necessity for the exercise in the first place and delivering a functional practical solution (Quinn, 2009)

Establishing the core managerial requirements for any such study reveals the drivers for defining a successful outcome. Such requirements as developing a flexible working tool and establishing a shared internal currency for referring to customer groups delivered within the context of limitations imposed by broader organisation priorities, called for greater fluidity in the segmentation process and outcomes than sophisticated quantitative solutions have been able to provide (Quinn, 2009). The macroeconomic challenges of recent years have placed organisations under greater pressure to be more focussed in addressing targeted customer groupings which has brought the “academe-versus-practice” (Quinn & Dibb, 2010, p. 1241) tension into even more glaring focus with particular emphasis on the questions of the extent to which academic priorities reflect the practical operating complexities of the business world (Quinn & Dibb, 2010). For managers measurable business performance drivers such as profit, margins and market share are unavoidable acid test parameters to which their segmentation-based marketing strategies must be answerable.

In summary it holds that, “to be valid segmentation must identify groups that matter to a company’s financial performance” (Jenkinson, 2009, p. 134) as return on investment measures must be applicable for the exercise to be worthwhile. “Ultimately segment selection and targeting must rest on the cost and return associated with building and maintaining the actual business capabilities to deliver a segment’s envisioned value” (Thompson, 2000, p. 55).

2.9. Market Segmentation Practice In South Africa

South Africa has been classified as one of the so called 'emerging markets' by one of a plethora of country classification schemes designed to attempt to assist with the navigation of global markets. To clarify distinction, global financial institutions have established three criteria to distinguish emerging markets from developed countries. Based on these, "emerging markets are those that cannot fulfil one or more of the criteria being, firstly, have a per capita income of less than \$10,000; secondly have stable and responsible macroeconomic policy and thirdly have a market capitalization of publicly traded companies and a volume of share trade on the stock exchange that cannot be classified as sufficient" (Burgess & Steenkamp, 2006, p. 338). The classification implications have been extrapolated into a range of disciplines as a contextual framework to harmonize referencing and treatment for analysis. Growing consensus identified that the marketing science process needed to be similarly aligned (Burgess & Steenkamp, 2006, p. 339) as emerging markets evolve from the periphery to the core of marketing practice (Sheth, 2011). The growth of the emerging markets perspective is said to hold great opportunity to, with the right mindset change, discover new marketing practices valuable for the capture of previously neglected and deemed nonviable markets (Sheth, 2011) This highly populous block of countries which includes China, India and Nigeria are regarded as the global growth hubs and the source of the emergence of new consumer classes or segments with insatiable capacity to consume a vast diversity of products and services.

South African firms have not been spared of the need to embrace the challenge to grapple with getting market segmentation right to drive effective strategic marketing in their emerging market context. The estimated 32 million adult population (Eighty20, 2012), is highly diverse and historically very unevenly analysed. Over the years various tools have been developed in an attempt to build a common perspective on the market dynamics. One of the most frequently used of these is the Living Standards Measure (popularly coined 'LSM') classification that segmented the SA adult population along lines of an observed basket of household assets as proxy standard of living indicators. Anecdotally, indications were that this tool is still widely used in firms across many sectors either as the primary segmentation framework or as a baseline structure to inform more granular contextually specific analysis (South African Audience Research Foundation, 2012).

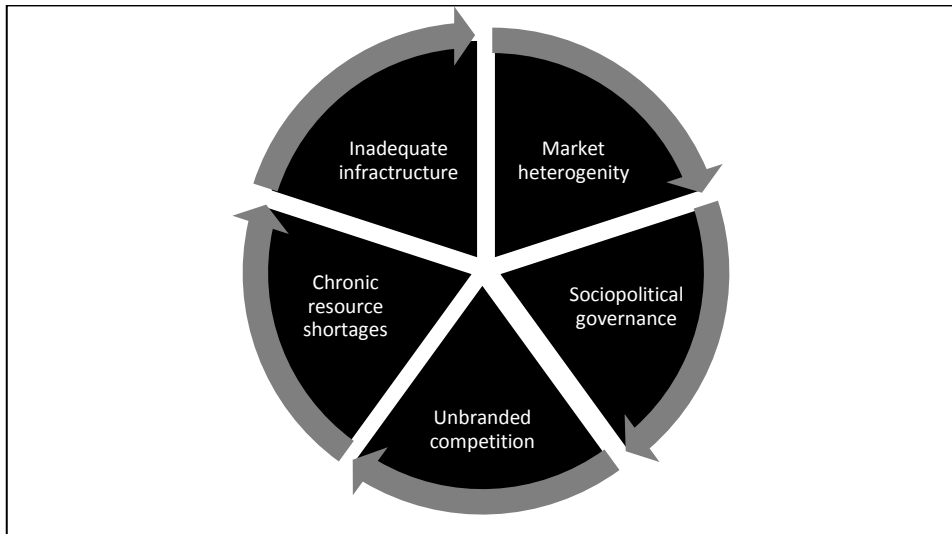
2.10. Emerging Markets

Wilson and Purushothaman (2003) are cited to have estimated that “by 2035 the gross domestic product of emerging markets will have permanently surpassed that of all advanced markets” (Sheth, 2011, p. 166) making them very compelling focus environments for future business growth prospects. This coupled with the fact that they are also home to not only the largest, some four billion people, but also fastest growing population segments has been said to have presented businesses looking for growth with the next logical economic frontier (London & Hart, 2004). Companies venturing into them however have discovered that these opportunities are not without their fair share of unique challenges. What became apparent is that, the preconceived “conceptualizations of emerging markets were vague, subjective, highly unuseful for international investors and creditors, and often inaccurate” (Kehl, 2007, p. 3). In a bid to address this issue, various perspectives from recognised institutions such as the World bank and the International Finance Corporation (IFC) have been explored but the conclusion remains that, “despite the obvious importance of emerging markets, there is no clear nor parsimonious explanation of what constitutes an emerging market” (Kehl, 2007, p. 3).

2.10.1. Characteristics of Emerging Markets

In general, these markets have been noted to share strong commonalities in the form of difficult sociopolitical histories that effectively stalled advancement resulting in inadequate infrastructure; economically disadvantaged communities and wide disparities in advancement. Sheth (2011) highlights five dimensions that distinguish emerging markets from their more mature counterparts. These were captured in Figure 2 and then briefly explained to be carried forth in the study as some guiding principles upon which to analyse the South African dynamics.

Figure 2: Characteristics of Emerging Markets



(Sheth, 2011, p. 168)

a) Market Heterogeneity

These environments have been noted to be characterised by formal and informal economic activities with only the tip of the population iceberg being accessible through the traditional formal economic structures. “Emerging markets tend to have very large variance relative to the mean across almost all products and services stemming from the fact that markets are local fragmented low in scale and served by owner-managed small enterprises” (Sheth, 2011, p. 168). A large mass of potential customers with considerably lower purchasing parity have largely been ignored and hence remained highly underserved. This population mass popularly coined the ‘bottom of the pyramid’ have presented business with new challenges that require a relook at accepted global marketing capabilities to “incrementally adapt current products and extend existing business models” (London & Hart, 2004, p. 351).

b) Socio-political Governance

A distinguishing characteristic of socio-political institutions in emerging markets is the enormous amount of influence they wield over the commercial operating environments. It is common to find fully or partially government owned and operated entities providing key services large sections of the market, frequently with monopolistic powers within their

segments. These markets were also typically characterised by the dominance of large highly diversified groups whose relationship with government is complex and often incestuous making it difficult for new entrants to gain access (Sheth, 2011).

Efforts to reduce the role of government have not been successful as markets have failed to fill the resulting void. On the contrary, what has emerged is the need for greater institutional capacity that would most likely necessitate a bigger role for the state to be accommodated in the socioeconomic dynamics than has been recognized in more advanced markets. The lack of consistency in presence of good governance was however a concerning detracting factor of these environments. This remains notably evident in such support frameworks as rule of law as well as provision of broad and stable support services (Kehl, 2007).

c) Unbranded Competition

Infrastructural limitations have resulted in distribution of branded goods being confined to more developed hubs and their immediate peripheries. As a result it is estimated that “as much as 60% of consumption in emerging market environments is addressed by non branded goods” (Sheth, 2011, p. 169) that are accessible in the widely dispersed pockets of rural communities. This has been driven by the characteristic that households tend to be both consumption and production units delivering solutions to meet immediate community needs that would otherwise have been fulfilled by branded solutions in more developed settings.

d) Chronic Shortage of Resources

Emerging market environments tend to be plagued by imperfect institutional frameworks weak resource bases especially with regard to capital and skills (Meyer & Estrin, 2001). Persistent resource shortages extend along and impact the entire value chain of production, exchange and consumption (Sheth, 2011). The inability to access large scale market consumption makes it difficult for even formal producers to attain growth inducing economies of scale. This scenario is further complicated by the “paradoxical relationship” that vehicles such as development finance are said to have had with emerging markets. The observation was made that “those facets of

emerging markets that are in most need of development funding support to address resource gaps, are the least likely to actually receive such funding” (Kehl, 2007, p. 002).

e) Inadequate Infrastructure

The typical transportation related infrastructural challenges of emerging markets are well documented. Additional not so obvious aspects that fall into this constraint include transaction enablers such as point of sale terminals and basic banking functions that are critical in expanding market access (Sheth, 2011).

2.11. Conclusion

Many of marketing's long standing frameworks are finding a rejuvenated role in the face of economic turbulence and deepening threats on the security of revenue streams. Companies are seeking to retain customers and enhance competitiveness by providing new propositions that are relevant to the evolving dynamics (Simkin & Dibb, 2012). Market segmentation is one such framework that presents as a universal language within the disciplines of marketing theory. The literature reviewed in this chapter was selected to paint a logical picture about the dimensions of strategic market segmentation as a marketing and indeed broader business competency. This has included ensuring the inclusion of past perspective on the subject and how this has evolved into more current research based findings of marketing practitioner efforts to implement strategic market segmentation. Whilst observations have been made that complete empirical justification for market segmentation as a scientific construct can sometimes be lacking, implementing market segmentation has been shown to yield positive business results. The marketing practitioner challenge is to remain pragmatic in applying necessary doses of common realism when applying market segmentation as a strategy to decipher market complexity (Tonks, 2009).

The contextual relevance of the subject matter for South Africa was explored and found to be intricately interlinked with the quest to develop and harness globally competitive competencies to drive anticipated rapid growth as one of the advantaged emerging market economies. The inevitable rise of emerging markets is anticipated to have a disruptive impact on marketing theory and practice. Aspects of this paradigm shift are already being evidence across a diversity of industries (Sheth, 2011).

3. RESEARCH PROPOSITIONS

The literature review guided the development of the following related propositions that served as the central focus in shaping the ensuing sections of the study.

3.1.1. Proposition 1: Managerial Barriers to Segmentation

Broader business strategic priorities, operational pressures and capability limitations are key barriers in managerial capacity to realise the full potential of strategic market segmentation. (Quinn, 2009).

3.1.2. Proposition 2: Value of Market Segmentation

Practitioners have largely remained simplistic and intuitive about their segmentation and are hence extracting limited value to meet operational and strategic requirements of their organisations (Dibb & Simkin, 2009; Jenkinson, 2009)

3.1.3. Proposition 3: Variable Selection

Ever increasing difficulty faced in selecting appropriate variables has become a key barrier in marketing practitioner capability to implement strategic market segmentation (Quinn, 2009)

3.1.4. Proposition 4: Impact of Market Complexity

The application of the market segmentation agenda has not kept pace with the external environment resulting in an ever widening gap between the accelerating complexity of markets and the capacity of most marketing organisations to comprehend and cope with the changes (Quinn & Dibb, 2010).

4. RESEARCH METHODOLOGY

4.1. Introduction

This chapter addresses the approach employed in carrying out the research investigation that was required to explore the identified propositions as outlined in Chapter 3. The outcome of the literature based preliminary investigations pointed to the need for deeper exploratory investigation to be undertaken to expand insight into the possible range of practical manifestations within the South African context of the issues identified. The exploratory approach is said to be most appropriate when one is seeking clarification of the nature of an identified problem. It may well be that the outcome indicates that the problem may not be substantial enough to warrant further study (Saunders, Lewis, & Thornhill, 2009).

Exploratory work can be conducted in three main ways being to search existing literature; to conduct interviews with experts or practitioners in the subject, or alternatively to conduct focus groups (Saunders, Lewis, & Thornhill, 2009). This study employed the first two approaches being a detailed literature review of the generic subject matter covered in Chapter 2 and then a second phase being expert interviews with seasoned practitioners in the South African and regional markets. Some limited degree of overlap insight into the broader regional market space was also captured in two out of the ten interviews conducted.

4.2. Research Design

The underlying research objective was to conduct an exploratory investigation into some practical perspectives into the issues raised by the literature review. By engaging marketing practitioners across a spectrum of industries to understand their practice in executing strategic market segmentation, the study sort to capture transferrable knowledge that can be used to inform other contexts (Saunders, Lewis, & Thornhill, 2009).

In designing the research approach, cognisance was taken of a number of issues that informed a distinct preference for a qualitative approach to be taken. As one view

defines it, qualitative research “consists of a set of interpretive material practises that make the world visible”, meaning that undertaking such a study enables the researcher to study issues within their natural settings and attempt to interpret the meaning that people bring to otherwise abstract concepts (Denzin & Lincoln, 2003, pp. 4-5).

Growing perspective suggests that in recent years qualitative research has grown in popularity and stature and has managed to shake off some of the criticisms about its comparatively limited scientific validation when evaluated against quantitative alternatives. As the world has advanced in its diversity and individualistic complexity, qualitative methods have proven to have greater capability to “unpack how people construct the world around them, what they are doing or what is happening to them in terms that are meaningful and that offer rich insight” (Flick, 2007, p. x)

Qualitative research design tends to be unstructured and exploratory in nature and based on small samples (Malhotra, 2010). The researcher was of the view that the qualitative approach was most appropriate to meet the objectives laid out for this study as it enabled insights to be captured directly from the marketing practitioners and triangulated in analysis to deepen understanding of the contextual aspects of the infield practice of strategic market segmentation. The broad nature of the topic was such that seeking to define conclusive parameters would have been too rigid an approach given the clear indications of the highly fluid application contexts within organisations and markets highlighted by the literature.

4.3. Qualitative Research Design

The origins of qualitative research are rooted in streams of theory and practice in the social sciences where interpretation and synthesis of ideas and concepts have always been part of the literary critical approach to bridge the challenge presented by some problems that do not lend themselves well for quantitative analysis (Bartos, 2003). Most qualitative research captures its data from some combination of archival data sources being secondary data; interviews and observations as primary data sources (Bansal & Corley, 2011). Qualitative research has been found to be most effective in capturing the language used by respondents as semantics are often revealing of underlying sentiment. An observation is made that people hardly ever answer what is asked literally but rather respond on the basis of either their own meaning or that which they perceive of the question. This experience is taken into consideration in the qualitative research approach by its design that deals with the textural and emotional aspects of a response rather than measurable objective and quantifiable constructs (Bartos, 2003).

Qualitative studies cannot be directly compared with quantitative studies. Typically the samples are small, cannot be easily projected to represent exhaustive sentiment on a subject matter and hence typically yield exploratory rather than definitive outcomes. Whence in lies a key benefit of this approach, being the ability to facilitate a mind-space for discovery free from the burden of statistical proof (Bartos, 2003) and in so doing, advance or at the least clearly connect the physical practices with some scholarly conversation (Bansal & Corley, 2011)

Notable emerging trends in the use of qualitative research have indicated interesting progression in approach. Firstly increasing consistency in structure has been introduced in published articles; secondly data analysis has started to make use of coding systems akin to quantitative analysis; thirdly more frequently findings are being presented in graphs, tables and diagrams and finally propositions are increasingly being used to demonstrate theoretical contribution (Bansal & Corley, 2011).

In conducting the fieldwork a diverse selection of seasoned marketing practitioners were engaged in face to face interviews to capture their experiences in executing strategic market segmentation. As far as possible, attempts were made to hold the interviews within the respondents' offices as a means of further enhancing the contextual reality of the discussion.

4.3.1. Unit of Analysis

The researcher identified two units of analysis as pertinent in this study. The first level of analysis was the organisations that were represented, perhaps not so much in their individual and or sector capacity but rather as a sample of South African institutions. The second was at the individual level being the marketing practitioners that were interviewed to provide input during data collection.

4.3.2. Study Time Horizon

From a time horizon perspective, the study was designed to be a single cross-sectional investigation to provide a snapshot in time (Saunders, Lewis, & Thornhill, 2009) and align with the limitations imposed by output delivery timelines. Single cross sectional designs are those that require the target sample population to be engaged only once during the information gathering process (Malhotra, 2010). Given the exploratory nature of the target outcomes, the momentary perspective nature of the data gathered was deemed to suffice in effectively capturing the required inputs.

Further, as the study neither sought to establish changes in practitioner behaviour over time, nor to capture large amounts of accurate data, the researcher was comfortable that these key identified weaknesses of cross sectional time frame design would not serve to hamper the effective fulfilment of the set objectives (Malhotra, 2010).

4.3.3. Sample Population

The relevant respondent population consisted of senior level marketing practitioners with demonstrable practical marketing management experience in South African firms. All target respondents were confirmed to be in current full time employment in the firms they represented, serving in a strategic marketing or market research management capacity. The emphasis on strategic exposure was deemed to be pertinent to ensure clarity of contextual alignment with the strategic value of market segmentation which sits at the heart of the study. The intention behind the organisation selection approach was to include medium to large firms with customer facing operations that serve their target markets. This filter was intended to ensure that only well established organisations were selected for inclusion to stabilise the representative profile of the data gathered for the South African context.

4.3.4. Sample Size

As stated earlier, all medium to large companies with customer facing operations in South Africa were included in the broad target population database. A total target sample of 10 respondents from a similar target of 10 different organisations across at least four different sectors was set to complete the primary data input phase.

4.3.5. Sampling Method

In deciding on the sampling methodology, judgemental sampling was adopted as a primary screening measure resulting in the isolation of customer facing firms as a sampling universe. Judgemental sampling enables the researcher to select target elements from a population universe based on the researcher's judgement of appropriateness (Malhotra, 2010). Subsequent to this, experts were conveniently identified on the basis of availability and willingness to participate constituting a convenience sampling approach to enable traction in the data gathering process. Convenience sampling is a non probability sampling technique and hence is one where

selection of the sample elements is dependent on the personal judgements of the researcher (Malhotra, 2010). For this study filters such as level of seniority in the organisation as well as length of professional marketing career track record were used as far as possible in an attempt to limit the level bias introduced by applying indiscriminate researcher discretion in sample selection.

Literature suggests that convenience sampling is typically less costly and less time consuming as respondents are easily accessible, however as senior professionals were the target respondents sort in this instance, this scenario was not found to essentially be the case. Selected respondents were often lost on the basis of inability to make time to participate as well as in some instances, a view that they would not be able to contribute meaningfully to the discussion topic. As a consequence of this flexibility of selection, convenience samples are not essentially a mirror of any defined population and hence it is meaningless to attempt to infer generalizations of meanings from the information gathered to be in any way fully representative of a population. Data gathered through such a sampling technique should be treated as clusters of insights. An additional more quantitative study would be required to test these insights against a target population to usefully establish representation.

4.4. Data Collection

4.4.1. Questionnaire Design

A discussion guide, attached in Appendix 1, was drafted with close reference to the research questions developed and used by Lee Quinn (2009) in a related study to examine the ways in which managers in the UK retail clothing sector implemented market segmentation (Quinn, 2009). This study had strong similarities in areas of investigation namely variable selection, strategic requirements of segmentation studies as well as implementation challenges faced. The construct of these questions was merged with the study propositions outlined in Chapter 3 to formulate a series of discussion pointers that would help address the data input requirements of this study. Close attention was paid to expressing the questions into everyday language as it is noted that translating complex theoretical theories into “easy going colloquial form enables more effective interrogation of intrinsic and extrinsic motivators through off the cuff responses” (Flick, 2007, p. 58). Specific areas for deeper probing were expressly noted in the discussion guide as prompts for the researcher to consistently address all the core issues in all the interviews held.

A logical discussion flow was applied to the questioning format to enable a funnelling approach to be adopted during the interview. This approach has been found to be effective in guiding respondents through an interview and to pre-empt the interview peaks and troughs ensuring optimal data input when respondents are most relaxed and forthcoming in their engagement with the interviewee. To confirm the effectiveness of the tool contents and structure, a pre-test was conducted with an equivalent respondent to ensure that the assessment outcomes were meaningful. Final wording adjustments were effected following the pre-test correcting areas of ambiguity that were highlighted by the sample interview.

4.4.2. Data Collection

Data was collected by conducting face to face, individual semi structured in-depth interviews with target respondents enabling sufficient flexibility to capture perspective expansively by probing respondents to explain their thoughts further (Malhotra, 2010, p. 73). The pre-drafted discussion guide was used to give broad structure to the interview conversations. This approach was selected as it enabled the development of a theoretical framework for the coding of interview material to elicit key themes underpinning managerial practice in designing and implementing strategic market segmentation solutions (Quinn, 2009, p. 257). The interviewing approaches of qualitative research are said to be attributed to psychoanalytic theory which was designed to employ techniques to get under the surface of face value verbal responses (Bartos, 2003, p. 5). Input from practical experiences by the target SA marketing practitioners was captured directly during the interview as the discussion was held and then later transcribed and analysed for deeper meaning and insight.

Respondents were invited to give voluntary consent to participate and further to permit the tape recording of interviews as much as possible to ensure a higher degree of accuracy in the notes captured. This also allowed for smoother discussion interaction during the interview and the appropriate interrogation and capture of “spontaneous and improvised elements” (Mann, 2011, p. 8). Only one interview session was required with each respondent. Consequently, eight out of the ten interviews held were tape recorded and transcribed. All the interviews were conducted by the researcher directly for a couple of reasons being firstly to give respondents greater reassurance that there will be controlled exposure of shared confidences and secondly to enable early emersion into the data and insights that was being shared, pre-emptively initiating the analysis thought processes.

4.4.3. Data Validity

Careful screening of respondents is a vital precursor for data validity in qualitative study design. Unlike quantitative research, there is reduced scope for dilution of individual perspective through the application of statistical modelling techniques. The target sample size of 10 respondents was intended as another measure to bolster data validity. Aligning the divergent responses enabled the researcher to capture a balanced perspective on the diversity of views and experiences related to the subject matter.

Targeting senior practitioners further enhanced data validity as the contributing individuals were in senior positions with higher level overarching organisational insight and depth of experience so as to give some degree of dilution to potential participant bias (Saunders, Lewis, & Thornhill, 2009, p. 156).

4.4.4. Depth interview Technique

Depth interviewing as a technique is said to be a particular form of guided conversation during which knowledge is produced during the interaction between the interviewer and the interviewee (Kvale, 2007). A discussion guideline was compiled and largely followed, however specific wording and the ordering of the questioning was often influenced by the respondents' responses to the probing that was applied to seek deeper clarification of their views and possible hidden meanings (Malhotra, 2010). Malhotra outlines three main depth-interview techniques being laddering, hidden issues questioning and symbolic analysis (Malhotra, 2010). A hybrid of two of these was employed being laddering and hidden issue questioning. The former entails investigating underlying motivators that see the researcher moving from the physiological characteristics of an issue being strategic segmentation in this instance, through to the psychological drivers that affect how practitioners engage in designing and operating this dynamic in their organisations. Further, respondents were questioned about their work lives, career backgrounds and departmental contexts in a bid to establish track record and to contextualise any potentially hidden issues that may impact how they operate in their current functions (Kvale, 2007).

4.5. Data Analysis

Transcribing of the interviews was an essential component of the process as, being a qualitative study, the quality of the analysis is heavily dependent on how well the individual sentiments are triangulated to consolidate an appropriate summary perspective (Saunders, Lewis, & Thornhill, 2009, p. 154). Full verbatim transcripts for all recorded interviews were compiled and used as the main source of primary data inputs.

A computer based software program, Atlas-ti version 7 (Atlas-ti Software Development, 2002- 2012) was employed to help shape the data analysis process. The software enables the capture of all the transcribed interviews into a project setting as primary or source documents. The researcher was then able to extract and work through the verbatim responses, coding these into related themes. Concept families were created to categorize the data by employing a coding system to group related units of data (Spiggle, 1994). To ensure consistency in the flow of analysis, the research propositions were used as guiding constructs in the setting of code parameters.

Consolidation of the outcomes was achieved by employing a network plotting function in the software that enables maps illustrating the abstract correlations in the data to be formulated. “Abstraction builds on categorization by collapsing more empirically grounded categories into higher order conceptual constructs or classes (Spiggle, 1994, p. 493). These groupings were then used to formulate diagrammatic explanations of the insights that emerged from the data and were included as part of the results discussion in Chapter 6. This approach also enabled within category comparisons to be drawn describing and interpreting the range of practical manifestations of the experiences discussed.

Conclusions were drawn that address the considerations stated in the research propositions merging the primary data sources with the authoritative theoretical constructs from the literature review. As Ellingson (2008) is cited to succinctly state, “good qualitative research is like a crystal, with various facets representing the aims, needs, and desires of various stakeholders including participants, the academy, society, lay public, policy makers, and last but certainly not least, the researcher” (Tracy, 2010, p. 849). Attempt was made to

consolidate the everyday knowledge captured through the interviews to develop an integrated theory to logically package the findings. An integrated theory is one that is the researcher identifies by closely analysing data and articulates into a developmental framework (Spiggle, 1994). This is in contrast to the more quantitative perspective of testing hypothetical relationships contained within existing theory (Nuttall, Shankar, & Beverland, 2011).

4.6. Limitations of the Study

A number of limitations are apparent from the choice of study design and sampling methodology. By its nature the qualitative route does not allow for conclusive outcomes to be reached. As a consequence, the final conclusions that were drawn by this study represent a consolidation of illustrations from some of the practical realities at play in strategic market segmentation practice in South Africa, but are by no means exhaustive.

Further, the sampling choices made did, by implication, introduce some elements of bias. Firstly, the judgemental sampling methodology selected for the primary screening of the South African business landscape introduced selection bias linked to the researcher exercising discretion to focus on medium to large firms. Secondly, convenience sampling employed within industry segments and then within the organisations themselves to pinpoint respondents, arguably also introduced selection bias as no statistical parameters were used to standardise the selection criteria.

Whilst depth interviews can result in access to a greater intensity of insight about a specific subject matter from interviewed respondents, a number of clear limitations present themselves. Firstly the input from each interview was confined to the views and therefore biases of a single respondent. Secondly the level and quality of insight captured was highly dependent on the interviewer's skill at conducting interviews. As one writer points out, all interviews can be regarded as "unavoidably active" care needs to be taken to manage the "interviewer's contribution to the co-construction of interview content" (Mann, 2011, p. 8). Thirdly, the data captured can be difficult to analyse and interpret due to the relatively free-flow structure that these conversations often take in pursuit of clarity and depth by probing responses (Malhotra, 2010).

4.7. Conclusion

The value of qualitative research is its ability to enable rich and thick descriptive data to be captured and analysed expansively exploring patterns that exist within a chosen subject matter (Spiggle, 1994). This chapter detailed how this design approach and related methodologies were employed to capture and analyse the primary data required to inform this study. As is typical of qualitative research, the subsequent perspective formulated and detailed in the proceeding chapters was in part factual and in part creative based on the researcher's intuitive interpretation of the data. Interpretation by its very nature is aptly described to be "playful, creative, intuitive, subjective, transformative, imaginative and representative (Spiggle, 1994, p. 500).

5. RESEARCH RESULTS

5.1. Introduction

This chapter provides a detailed account of the results that were captured during the primary data gathering exercise. As outlined in the previous chapter, data was collected from a selection of ten respondents from ten different organisations in a bid to obtain a cross section of input into the areas of investigation. The summary of outcomes is set to give an insightful indication of the status of application of market segmentation disciplines within a cross section of leading South African firms as a strategic marketing discipline. The findings begin by painting a contextual picture of the contributors to the data with some sample demographics being presented to profile the respondents and their organisations. In addition some supporting parameters were identified that give an overarching insight into the different characteristics and approaches taken towards high level strategy development and segmentation.

5.2. The Sample

Respondents were selected from target medium to large sized with diverse customer facing operations. Identification of participants was based on broad fulfilment of the requirement that they hold a position that interfaces with their organisation's strategic marketing planning and have direct or regular contact with the scoping and implementation of market segmentation strategies.

Table 3 below summarises some key aspects that profile the sample. The respondents captured can be said to be aligned with the diversity of the South African landscape with a mixed cross-section of demographic profiles which included five males, three black and one white and one Indian; as well as five female respondents of which four were black and one white. From an organisational role perspective, all respondents held senior market development and or marketing orientated roles and had been in related disciplines with career spans of at least 8years. The profile of the respondents is outlined in the Table 2.

An additional aspect presented in Table 2 is the business outlook represented by the respondents that contributed input into the study being either South Africa centric or regional. In this instance, regional can be best described to include both the Southern African region as well as markets in central and western regions of the African continent.

Table 2: Sample Profile

Interviewee	Gender	Industry	Business Focus Represented
Marketing Manager Foods Division	F	Food Manufacturing	SA
Divisional Head of Marketing for Beverages	M	Food Manufacturing	SA
Marketing Research Manager	F	Mail and Courier Services	SA
Senior Marketing Strategist	F	Financial Services	SA
Digital Business Development Manager	M	Financial Services	Regional
Group Marketing Manager	M	Agri-seed Production	Regional
Marketing Manager	F	Airline Industry	SA
Marketing Manager	F	Pharmaceuticals	SA
Marketing Manager	M	Telecommunications	SA
Head of Analytics	M	Financial Services	SA
Total		10	

5.3. Presentation of the Findings

The reporting of the findings begins with an overview of some relevant contextual characteristics that were revealed during the interviews. A comparison of these was deemed to be useful as it lays the related foundation for the application of such business practices as strategy formulation and market segmentation. These are captured under the following subheadings:

- Approach to strategy and segmentation
- Perceived role of strategic market segmentation

To maintain consistency, the propositions outlined in Chapter 3 were then used as the guiding structure to frame the reporting of the findings in the related format being:

Proposition 1: Managerial barriers to segmentation: Broader business strategic priorities, operational pressures and capability limitations are key barriers in managerial capacity to realise the full potential of strategic market segmentation’.

Proposition 2: Value of market segmentation: Organisations have largely remained simplistic and intuitive about their segmentation and are hence extracting limited value from this agenda to meet operational and strategic requirements of their organisations’.

Proposition 3: Addressing variable selection: Ever increasing difficulty faced in selecting appropriate variables has become a key barrier in marketing practitioner capability to implement strategic market segmentation.

Proposition 4: Impact of market complexity: The application of the market segmentation agenda has not kept pace with the external environment resulting in an ever widening gap between the accelerating complexity of markets and the capacity of most marketing organisations to comprehend and cope with the changes’.

5.3.1. Approach to Strategy and Segmentation

In framing the journey of the interview investigation, respondents were asked to start by outlining the approach taken by their organisations in defining the overarching strategic business plans. Further probing was then employed to identify the interaction of this process with the marketing strategic planning activities and whether the “top down, bottom up” interaction highlighted in the literature review in Chapter 2 took place within the sampled South African organizations. The feedback of this line of questioning is captured in Table 3 in which illustrative quotations from respondents about their respective experiences are detailed.

In most instances, marketing strategy was said to feed on from business strategy development which was positioned ahead in the planning cycle setting the tone for delivery expectations and for the core market focus themes. There was however general agreement that this was a necessary approach as it enabled all the functions of the business to be better coordinated in how they align their divisional plans and ensured they were subordinate to a common defined and shared set of objectives and goals. The issue of silo approaches being, in most cases an ineffective feature of the past was raised with respondents endorsing the more collaborative strategy development approaches. In two instances, both of them within large multidivisional food and beverage manufacturers, concern that divisional silos still prevail was raised with recognition that this had left the organisations in question being unable to effectively leverage cross functional efficiencies and competencies including within the marketing space.

Progressing the discussion to the central issue of approach to market segmentation, respondents were asked to try and think of an effective short summary to describe their overarching approach to market segmentation. The outcome of this showed strong similarities in the base approach to segmentation with demographics being the most commonly used approach for establishing a primary base to segmenting target markets. This outcome was again aligned with assertions made by the literature.

A new aspect that emerged from the data however, was the influence of relevant industry regulatory guidelines on some organizations’ freedom to approach their

segmentation. For ease of comparison, a rating from low to high was assigned to each organization guided by the comments made in relation to this issue. In one extreme case, the sensitivity of the products required pre-approval from an industry regulatory board which approval also included stipulations on which markets the organization was approved to target with specific solutions.

Table 3 –Views on Approach to Strategy and Segmentation

Industry Context	Summary of quotes captured to illustrate the Top-down, bottom-up alignment of business strategy formulation	Level of regulatory influence on segmentation approach	Approach to Segmentation
Food manufacturing	<i>"The marketing strategy planning follows on from the group business strategy setting process which lays out a set of group strategic pillars. SBUs are then expected to align with the strategic pillars and accordingly define a SBU strategic agenda that speaks into the group's outlook. The Marketing strategy process begins with the definition of SBU category plans which are then broken down into brand plans and finally customer plans".</i>	Low	Channel and Demographic at the group marketing level and channel and psychographic at SBU level.
Food manufacturing	<i>"Strategic marketing planning within the groups is driven at a divisional level as there is no centralised group marketing function. Group direction is taken from a group strategic directive laid out as a 5 year plan framework. The voice of marketing at the group level is carried by the divisional CEOs".</i>	High	Channel based segmentation
Mail and Courier Services	<i>"We have what we call the strategy booklet, and it is like a booklet which the strategy department prepares, and then senior managers will get those and even managers will get a copy."</i> <i>"When we do our marketing strategy planning it is mostly focussed at the consumer level and it has to be aligned with the guidelines set out in the strategy booklet".</i>	High	Demographic
Financial Services	<i>"The board would have a group strategy; the CEO would translate that into a divisional strategy. So when it comes down to marketing, we work on strategy based on the respective markets that we service"</i> <i>"When it becomes bottom up input, we deliver products and services that are very specific, to identified client markets"</i>	Low	Channel and income

Financial Services	<p><i>"The top down starts with the group strategy stating what is overall group business strategy. And obviously that is done and crafted at EXCO level, so where is the business going, which markets do we need to be in, how are we going to manage revenue and costs. So that is just the direction for the business".</i></p> <p><i>"And the bottom up says that is the direction we want to go in, how is each of the businesses going to be able to support and drive towards that direction".</i></p> <p><i>"So there is always an overlap in terms of your strategy, so you have continuity and kind of line of sight of where you are going"</i></p>	Low	<p>Demographic and income based. A second level of segmentation then looks at psychographic profiles.</p> <p>"It's a matrix"</p>
Agri-seed Production	<p><i>"We do have an annual group strategy coordination meeting which is held annually where we bring together all the group managing directors of all our strategic business units across Africa and we spell out the strategy details and the strategy of the business and this is driven by the group chairman, who gets the mandate and strategic direction from the board".</i></p> <p><i>"Marketing can only come up with brand agenda and sales agenda, to align with the key corporate intent".</i></p>	Low	It's a matrix of geographic and channel based segmentation
Airline Industry	<p><i>"The market information that we take back to the business plan is very important because we would engage with the customers and identify changed requirements and then we have to adjust the business plan."</i></p>	Medium	Geography
Pharmaceuticals	<p><i>September/August is when we start to prepare our market plan, we then present it internally to the management team of the company being our directors for all the different divisions and our CEO –. Then we have our regional president that comes out and we then present the plans to him as well. He then takes the plans back to the region for SA and then they look at SA within the context of the regional portfolio and decide how much resource they are prepared to allocate to our country, and for each of the different brands".</i></p>	High	Segment the market based on regulated guidelines of market spaces Then look at geodemographics (age, income and location)

5.3.2. The Perceived Role of Strategic Market Segmentation

The role of strategic market segmentation was interrogated as another specific context setting question in the discussion guide, seeking to confirm an articulated perspective on how this was assessed by marketing practitioners in relation to their organisations. This question was also positioned to establish early connection with views on whether the subject matter of the study was material within the practical dynamics of South African marketing operations.

There was unanimous agreement that strategic market segmentation plays a pivotal role in guiding the approach and operations of the organisations represented in the sample. Respondents generally gave unequivocal observations that marketing segmentation was a vital discipline in establishing clear operating parameters.

It plays a major role. I think it is one thing having products but it is quite another knowing who you need to target those products to. So a product without a market is a non-existent business basically. So segmentation helps you to focus the efforts of your business, to ensure that you can be profitable by selling those products and services to a defined target market that want the product, that can afford that product. If you don't have that you don't exist as a business". (Senior marketing Strategist – Financial Services)

"Market Segmentation plays a critical role in the business planning and operations. It is regarded as a critical source of credibility for the marketing function.

Segmentation is recognised as a useful tool to help establish a common language for addressing customer strategies and solutions across the various support functions in the business". (Marketing Manager Foods Division)

“Market segmentation is important in a sense that instead of just like dividing the customers or the market into groups to say this is the space that we play in, it is important in understanding the needs of the customers and also the trends, and also the insights. So I think it is important for those reasons”. (Marketing Manager Research - Mail & Courier Services)

“Absolutely, it is key in terms of being able to drive, it is actually a key link in terms of how do you meet your strategic objectives, and link the operations. So if you understand your segments it is your key lever in terms of driving those business goals. So you translate the overall group strategy into your segments, how it plays on the segments, and then you take the segment variables and translate that into operations”. (Head of Strategic Business Unit - Financial Services)

5.3.3. Outcomes of Investigations into the Core Propositions

5.3.3.1. Proposition 1: Managerial Barriers to Segmentation

Broader business strategic priorities, operational pressures and capability limitations are key barriers in managerial capacity to realise the full potential of strategic market segmentation.

This aspect of the investigation was intended to help formulate an understanding on whether marketers were of the view that their focus on extending the full potential of strategic market segmentation in their businesses was in any way being hampered. Such issues as strategic prioritisation and other operational pressures were suggested by the literature review as being key barriers.

One respondent clearly summarised a perspective on this issue stating that:

“Marketers are lacking steer from clear business objectives to guide intent with segmentation. Executives need to provide clearer business directional guidelines so the segmentation approach can be better positioned to meet specific business needs as this drives business focus and energy” (Head of Marketing Beverages Division)

This was supported by a respondent who has the vantage of strong executive support behind his organisation’s approach to segmentation. Cross functional relevance was positioned as a key aspect to driving the right level of co-ownership and advocacy behind segmentation across the organisation.

“One of the things is you need to have executive ownership of the segmentation; it shouldn’t be owned by some senior manager in the marketing area..... I think one of the key challenges and why these things fail is really driven out of one particular area: and it is fit for purpose: That particular area, so how do you for example get the CEO

of your organization to own this thing, and make it cross functional”.
(Head of Analytical Intelligence – Financial Services)

Two other respondents expressed related sentiment in agreement with the view that there are barriers to effective leverage of the full potential of strategic segmentation stating that:

“Mindsets around prioritising focus on activation rather than on research have created a situation where there are chronic budget constraints against effective use of research” (Marketing Manager Foods Division)

“We hope that our segmentation that we are doing now is going to back it up. We have to do that, you have to underpin your strategy and we have done it now the wrong way round, we have made plans without fresh segmentation. Usually it is the other way round”. (Head of Strategic Marketing – Communications Industry)

From a more operational perspective, views were expressed about the importance of addressing the requirements to bring the segmentation to life in the organization as part of the upfront planning process.

The other thing is I don't think we thought too carefully about how we implement these things, the processes and the systems. I think that must also come with segmentation planning: how does it get implemented in to the systems and processes? Apart from making it a conversation piece and a narrative and a language in the organizations – that is the soft science – the hard science of putting it into your processes and systems, I think you need to spend some time actively thinking about that. (Head of Analytical Intelligence – Financial Services)

5.3.3.2. Proposition 2: Value of Market Segmentation

The underling motivation behind the inclusion of this theme in the study was to explore the extent to which sufficient rigour was being invested into the practical process of doing market segmentation. Academic perspective suggested that perhaps the general trend was to be led by instinct and to over simplify the segmentation exercise. However, the findings suggested that only in a minority of cases were intuition and some degree of desk top modelling of possible options used by these more established organisations. The majority of companies did at some point invest in a professional robust process. The challenge with most however was on maintaining some acceptable level of recency in the base insights that informed a chosen approach.

Table 4: Value of Market Segmentation

Role	Practitioners have largely remained simplistic and intuitive about their segmentation and are hence extracting limited value to meet operational and strategic requirements of their organisations.
Marketing Manager Foods Division	<i>There is a heavy reliance on the team's experience base and no follow-up verification is carried out to scientifically confirm conclusions. This is due to a culture of limited tolerance to expend time and resources to carry out primary study work that would more conclusively establish grounded precision in the outcomes. The view is that there is enough internal residual cumulative experience and track record of successful outcomes to negate the need to seek any further verification of internally debated outcomes.</i>
Marketing Manager Research – Mail & Courier Services	<i>"I will say the value is I can say it is good, because at least the business, it is not like they are shooting from the dark, so when they do their marketing campaigns they are working on something which they know when we go out with this message we will take it to this type of market".</i>
Senior Marketing Strategist – Financial Services	<i>"Segmentation ensures the approach is not a blender anymore, we know exactly, it is quite crisp. Each segment has a certain number of individuals, and it has a service model that is specific and tailor made to that segment of customers – and then you have got the next one and the next one".</i>
Head of Strategic Business Unit - Financial Services	<i>"What you derive from segmentation is that it aligns the businesses, so it becomes your link between your strategy and your operations. It becomes a key lever in terms of managing. So knowing your segmentation, knowing the variables ensures that you get a deeper understanding of the clients and you are able to customize your business strategies, your product strategies, and your marketing estimate segmentation. So that becomes the centre of your business. It is the hub of the business".</i>

<p>Marketing Manager – Airline Industry</p>	<p><i>"The value we derive is the treatment we apply to the various different segments, the way we resource and approach these is different from market to market. "However, there has not been serious investment in terms of gaining deeper insight into segments and their dynamics and this in my view affects the effectiveness and market potential of the segments".</i></p>
<p>Market Unit Manager - Pharmaceuticals</p>	<p><i>"I think the main value of it is that it sort of gives us a very robust idea of who we need to target, you know, who the customers really are and then we derive our strategy for the sales force from that market segmentation map....So it gives us a very good foundation to actually develop the key tools we need to implement in the field".</i></p>

5.3.3.3. Proposition 3: Variable Selection

The issue of variable selection was unanimously echoed by all respondents as one of the biggest technical challenges to designing market segmentation. This fully aligned with similar assertions raised by academic commentary captured in the literature scan. Table 5 details the responses given to the issue of variable selection. Pressure to make progress prevails and decisions have to be taken to implement plausible solutions; however practitioners did not hesitate to confess that they have enduring concerns that perhaps their approaches are either too simplistic and or too conveniently abbreviated and may be missing the true perspectives of the market.

Table 5: Variable Selection

Role	Ever increasing difficulty in selecting appropriate variables has become a key barrier in marketing practitioner capability to implement strategic market segmentation
Marketing Manager Foods Division	<i>Variable selection was said to be “a challenging process that involves a fair amount of trial and error” until a best fit is identified. Perceived key category drivers are used to build model outcomes</i>
Senior Marketing Strategist – Financial Services	<i>“So you get a whole host of information, but there are patterns in the information, so by identifying the patterns in the information and labelling those clusters, and those labels then become your lead sort of needs that you can drill down into, looking at the supporting information”</i>
Head of Strategic Business Unit - Financial Services	<i>“The two levers (variables) are easier to work with and less ambiguous, easier to communicate in the business as a whole, and easier to actually translate into your segmentation models. So it is easier to understand, easier to translate and easier to work with”. “So the first key challenge with market segmentation is around what variables and how do you segment your market. There are many ways to segment a market so there is demographics, income, psychographics, every day there are new variables and new ways of being able to divvy up the market. And each one you can justify per market per segment, you can easily justify why ... so income and age, it is a proxy for who the client is, it is probably not the right thing”.</i>

Group Marketing Manager – Agri-seed Production	<p><i>“So somewhere along the way you have to choose your main variables and then you can use the others to refine your segmentation. So that is kind of the big challenge”.</i></p>
Marketing Manager – Airline Industry	<p><i>“I don’t know it’s difficult, because it’s not just one element, it’s a whole lot”.</i></p> <p><i>“I think geographic would be probably close to the whole thing because we are also limited geographically.”</i></p>
Head of Analytical Intelligence – Financial Services	<p><i>“For me I think one of the key pieces is some kind of measure that addresses income of the customer. But I have got to just qualify that. I think too often than not income is misunderstood. So you get many companies who simply build a segmentation system on income – low income, middle income, high income – but the needs in the low income group can be very different; they could be young people starting up in life vs. somebody who is a blue collar worker who will always be there. Now you can understand from a product development, from a channel, from virtual channels, electronic channels, internet usage, those two profiles would be very different. I think income should be a measure of what kind of share of wallet and opportunity that exists in each of those groups and what are the needs. But income itself is not good enough.....A proper segmentation system must not be uni-varied or built on a single variable. So you have got to be multivariate to tease out truly what is happening in the market. It has got to take a multivariate view point”.</i></p>

5.3.3.4. Proposition 4: Impact of Market Complexity

The application of the market segmentation agenda has not kept pace with the external environment resulting in an ever widening gap between the accelerating complexity of markets and the capacity of most marketing organisations to comprehend and cope with the changes

The reality of rapidly changing market dynamics and increasing complexity was the most unanimously mentioned phenomenon that marketing practitioners stated as the most complex issue that they are dealing with in their field. This aspect remains a challenging dynamic with no clear approach on how to deal with it. A key comment captured on this illustrates well a viewpoint on this issue:

"How do you ensure that every year, is it a year or is it two years that those things are still relevant. So you make assumptions. If certain characteristics are used as a foundation and that foundation means you need X product, this is our understanding of the needs, and then we tailor things based on that overall segmentation. But however that assumption may need to change as people's lifestyle changes, incomes change, inflation.... So you almost have to constantly review and question your base assumptions, the relevance of those things. So you can end up with a segmentation which is outdated, that doesn't actually match; the clients have moved on but you are still classifying them using a foundation base meanwhile they have evolved, their sophistication has evolved". (Head of Strategic Business Unit - Financial Services)

Another comment highlighted social media as a key driver that was pushing the need for the business to urgently review the basis for its segmentation.

"There are challenges ahead however linked to changing consumer behaviours such as those driven by social media consumption. The business is seeing a growing need for a more psychographic approach to establish greater intimacy and tact. "The consumer has more control and option to opt out". (Head of Marketing Beverages Division)

"We are convinced that there have been some changes that we have not been able to track for us to effectively address emerging new groupings and needs."
(Group Marketing Manager Agri-seed Production)

"We need an in-depth understanding of behaviour and patterns and information that we do not have at our finger tips." (Group Marketing Manager Agri-seed Production)

Even those who generally perceived themselves to have strong regular investment into research to keep up to date with their target markets did not demonstrate solid confidence and comfort in their ability to keep abreast with the market dynamics. Comments that illustrated this stated:

"I think one key challenge is the dynamics. Markets are changing all the time, even within our market we might have a very structured way in which we design our market segmentation and our strategy, but we are in a very dynamic market." (Market Unit Manager Pharmaceuticals)

"I think the first thing is your stereotypes, and your assumptions. You might have a model internally but you might find something completely different outside. So ensure that you are open minded enough to absorb the reality of what the market is about.

And secondly, I think second-hand information is very dangerous". (Senior Marketing Strategist – Financial Services)

Two respondents however presented insights that perhaps start to plant the seed for potential solutions that can be explored for practitioners to develop greater confidence of their ability to track market changes.

"Maybe the learning is if you are going to do market segmentation use people from the market. Your role is to go in and observe and ask questions and tailor make the questionnaire, or your research study, but be surrounded by people from the market. You will appreciate it more, than now when you send people and you run it on your computer, it doesn't make sense. Then you get a report and you don't actually know what it means, and then your assumptions actually get deeper because you just assuming that because there is a certain word or there is a certain saying or phrase, you misinterpret what the meaning was intended to be". (Senior Strategist – Financial Services)

"What you need rather is a capability, to execute and sell the concept of segmentation, but don't be closed out to the fact that this thing is continuously evolving. So you should build structures that manage different segments, processes that do different segments, but it should be open, agile, to kind of learn from the fringe and quickly change as the data changes....So I am a strong advocate, yes you can use expertise from external consultants but build the competencies to construct market segmentation within your organization; have the competencies". (Head of Analytical Intelligence – Financial Services)

5.4. Additional Themes Identified

Over and above the evidence supporting the core propositions as detailed so far in this chapter, two additional related themes were identified that stood out as incrementally value adding to the discussion. The first was related to the issue of competitive advantage derived from the segmentation efforts and the second touches on the issue of access to reliable and relevant data to help with deeper analysis of target markets.

5.4.1. Sources of Competitive Distinction

Further insights were gleaned from the probing discussions held with respondents and these have been packaged into two additional themes. The first relates to a key source of evidence of the purported value derived from market segmentation being the step out competitive advantage that the practitioners believe their segmentation gives them from their competitors. Perception on this ranged across the two extremes of the scale being not much competitive advantage due to all players following the same approach through to tangible evidence of more incremental value being generated as a reward for more intimate insight into target market segments.

The players in our industry generally tend to follow similar common segmentation theory and hence there is limited true differentiation within categories. (Marketing Manager Foods Division)

Achieving credible competitive differentiation within sector is a huge challenge. The channel approach practise is fairly similar amongst the industry players. Further, the legislative influence has resulted in product ranges also being very similar. (Head of Marketing Beverages Division)

"Segmentation helps in the sense that you can ask more clearly, 'who are our main competitors?' Because there are so many, you end up not knowing, and

they all happen to be competition because they are doing something which your company is doing even if maybe they may not be doing everything which your company is busy with, so which means if you are not careful they can take the market from you" (Marketing Manager Research Mail & Courier Services)

"I think it gives us a very, very clear focus, and it helps us to have a very good idea of how we need to do the business, and it also gives us a certain amount of speed in which to roll out.....And because we also start the planning very early in the previous year, by the time the beginning of the year comes and we need to roll out the plan to the sales force it is there, it is ready, they have got all the tools they need, they have their detailed aids to use in the field, they have got a clear idea of who their customers are going to be. So you know it helps you to move along faster". (Market Unit Manager Pharmaceuticals)

A view on how to better leverage segmentation in highly competitive environments was also noted.

"So the challenge around market segmentation systems is to be continuously re-learning the market, to build a process and a capability that can pick up structural shifts in the market whilst it is happening and even proactively before it is happening. So we can learn from the fringe". (Head of Analytical intelligence – Financial Services)

Ultimately there was express confirmation that for at least one organisation, strategic market segmentation was directly contributing to meeting the primary goal of any business being to make money.

"We will make more money because we are now clearer in terms of who our customer is, where this customer is, what their needs are, what products we need to give them and what margin. And we know exactly how much we will make on that customer. And because we understand them better we will know better how to serve them better". (Senior Strategist – Financial Services)

5.4.2. Adequacy of Investment Into Market Research

The second and somewhat more loosely defined theme was identified through a concluding question that basically asked practitioners to share what they thought were the key challenges that other South African marketers in general were facing in doing segmentation in their organisations. The main challenge presented related to insufficient investment into market research as a backbone to access to effective information critical to driving accuracy and relevance in marketing programs.

“There is always discomfort from the absence of definitive verification of the current segmentation approach of relying internally developed and debated outcomes. More primary research needs to be carried out to effectively validate data”. (Marketing Manager Foods Division)

“It may be in the plan but you will find because of budget issues, because they cut, they keep on cutting, then it becomes on hold and it doesn’t happen”. (Marketing Manager Research - Mail & Courier Services)

“In highly competitive segments, “the changes are so rapid, there are new products being introduced almost every other year and you can’t then define specific responses, you can’t invest much in their studies”. (Group Marketing Manager – Agri-seed Production)

“Research is key, you know if you don’t have the resources, the information, the knowledge, it is really just a thumb-suck and it is very scary to base a plan that will be sort of secured into investing millions of Rand into a company annually, without having proper rigor in the plan, and the rigor of the plan comes with how much money you have to put behind designing that plan”. (Market Unit Manager Pharmaceuticals)

5.5. Conclusion

This chapter illustrated the diversity of data that was collated from respondents in relation to the propositions as well as some additional context setting themes. The most revealing quotations from respondents were used in the respective sections in a bid to present in the reporting, the richness and depth that emerged from the findings. In detailing the outcomes, the core propositions as well as some supporting contextual themes were covered.

6. DISCUSSION OF THE RESULTS

6.1. Introduction

The previous chapter gave a detailed outline of the findings from the primary data collected from target respondents. By consolidating the inputs, the researcher's aim was to detail South African marketers' practical experiences in relation to the study subject matter and propositions. This chapter advances the dialogue a step further by embarking on a detailed discussion of the findings to demonstrate the degree of alignment with the views of academics as expressed in the literature review in Chapter 2. Ultimately the goal is to address the principal study intent being to start to formulate an understanding of some of the challenges faced by marketing practitioners in defining and implementing strategic market segmentation within the South African operating environment.

A context setting funnel approach was introduced in the results reported in Chapter 5 and this same structure will be maintained to enable the reader to follow the thread of the debate clearly. As previously expressed, the core themes were established from the propositions set out in Chapter 3 with some additional context setting considerations and complementary concepts being included in a bid to guide the threading of the discussion towards a more rounded outcome.

6.2. Approach to Strategy and Segmentation

A feeder discussion on the issue of the strategizing approach followed by organizations in setting corporate strategy emerged as being a necessary preliminary interrogation, as it paints the overarching scene for the practical experiences attested in the application of marketing strategic disciplines such as segmentation. The complexity of making definitive final strategic choices for any business is normally compounded by the fact that virtually all companies must operate within the constraints imposed by limited resources (Hedley, 1977). In recent times, this reality has been further augmented by the persuasive anecdotal evidence of the rapidly increasing complexity of market environments (Day, 2011). This cocktail of factors compels an increasingly higher degree of rigour in choice identification, evaluation and selection of business strategy for organizations to continue to survive and thrive.

The findings of the research confirmed that the process of setting overarching strategic direction is an established cross-sector discipline in business today in both medium to large scale organizations. Acknowledging the need to satisfy a diverse basket of stakeholders and to address multiple business portfolios, strategy development is typically a top-down bottom-up collaborative process that is championed by the most senior levels of organizations.

Executive leadership top-down approach tends to set the stage for the organizational strategy setting process and determines the extent to which there is an effective meeting of capabilities in the overarching approach. The literature suggests that “an effective approach requires the development of a framework enabling the selection of the optimum combination of possible alternatives and opportunities open to the company whilst at the same time remaining within the boundaries set by the company’s overall constraints” (Hedley, 1977, p. 9). In organizations where this dynamic was strong, perspective rendered illustrated a high degree of latitude being extended to marketing practitioners to feed in more bottom-up market driven clarity into the strategy shaping process. On the other extreme however were examples of scenarios where the strategy was said to be communicated down with limited scope to embrace bottom up input.

Unanimous mention of the “widening gap between the accelerating complexity of markets and the capacity of most marketing organizations to comprehend and cope” (Day, 2011, p. 183) suggests that there is ever increasing risk for those organizations

who fail to recognize the imperative to adjust their processes and make way for more collaborative dispensation in their strategy formulation. The reality of the long range horizon of business strategies, which market segmentation outputs typically affect, applies significant pressure on practitioners. The potential of making wrong strategic choices informed by incorrect bottom up targeting recommendations seems to stem from a problematic element of doing market segmentation, being identifying the right basis upon which to make strategic segment related choices. Should one focus on value versus volume; should a niche opportunity be pursued over a more mass market option. As one respondent highlighted, business strategy is often too high level to give the necessary steer on these bottom up but strategically significant issues.

6.3. Perceived Role of Strategic Market Segmentation

Strategic market segmentation emerged as a value adding discipline that continues to be seen to play a critical role in business today. There was however interesting variation in the emphasis placed in illustrating this role. The literature sets out a clear academic view being to serve business by drawing clear lines of segregation with sufficient depth of distinction to guide the application of different marketing mixes that cannot logically be overlapped in serving the diverse base of interests represented by heterogeneous segments (Day, 1981). The essence of this role was largely echoed by practitioners however sources of variation that arose served to dilute the academic clarity.

The key source of departure seemed to stem from what can best be described as unacknowledged underlying oversight of the distinction between the terms market segmentation and customer segmentation. Somewhere in the semantics some important distinctions appear to have become fairly blurred and the strategic relevance of market segmentation in support of the defining of business and channel strategy (Yankelovich & Meer, 2006) is becoming lost. Another angle to this issue arose from the structural diversity of marketing departments and their functions that presented itself as a very revealing unintended finding of the study. None of the sectors addressed presented with comfortably comparable functional structures for their marketing organizations, even firms within the same industries outlined markedly different designs and hence roles. The consequence of this went as far as presenting real challenges in identifying the most ideal respondents for the researcher to engage in this study. As supporting testament to comments in section 6.2 about the expanding leverage of marketing competencies in other previously non marketing functions, in some organizations, most relevant perspective into this study was resident in the CEO's office or a separate strategy department.

6.4. Addressing the Core Propositions

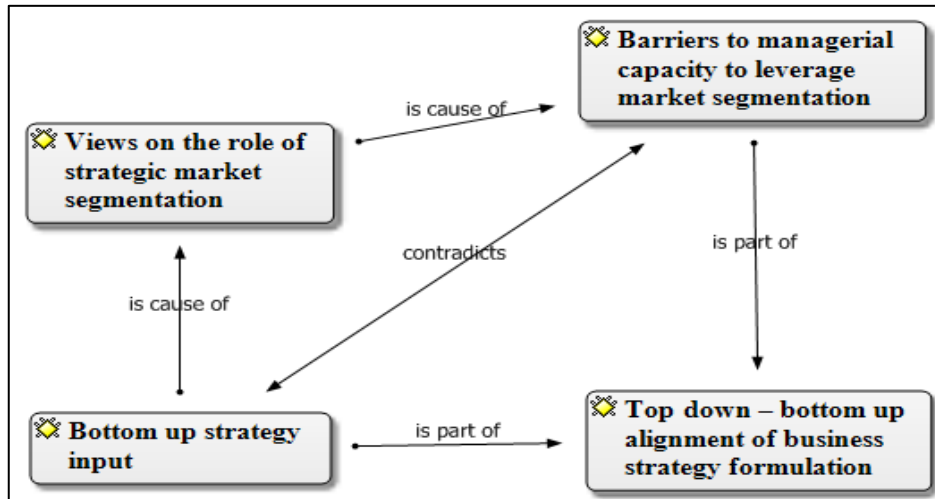
6.4.1. Proposition 1: Managerial Barriers to Segmentation

The literature highlighted that a diversity of “contextual influences encompass the alignment of organizational structure and systems for effective marketing strategy implementation as well as efficiency of execution and ultimately how well the strategy performed once implemented” (Thorpe & Morgan, 2007, p. 661). The data presented with a matching assortment of challenges being faced in organizations in their quest to effectively harness market segmentation. Figure 3 maps some of the related outcomes in the data illustrating how the practical experiences concur with the literature. Some views expressed indicated a sense of frustration stemming from how senior leadership sets the tone for the reception and optimization of such initiatives as market segmentation in their organizations. The top-down discretionary directional directives can create a culture of “organizational rigidities” (Day, 2011, p. 184) that limit the scope of functional practitioners to influence strategic direction even when equipped with value adding granular market insights. One of the conclusions reached by a related study conducted indicated, “our results suggest that there is a need for a degree of top-down imposition, yet at the same time we suggest that in fostering the cooperation of mid-level marketing managers as key resources in the implementation process; a degree of bottom-up initiative is also required” (Thorpe & Morgan, 2007, p. 672)

The South African market landscape remains a highly diverse and complex playing ground that businesses in general are quick to admit they have not even begun to fully comprehend. Cost benefit pressures have seen most companies at best focusing investment to understand their own core pockets of business and defaulting to broader based tools such as the Living Standards Measure (LSMs) to bridge information gaps. In so doing, the absence of the required depth of insight results in a fair amount of management discretion being exercised on interpretation introducing stereotypic frame of reference biases to the translation of insights into strategy. Chronic resource limitations were said to hamper ability to follow through on robust research initiatives and or implementation plans. Evidence of this was in the form of constrained budget and staffing resources, absence of robust tools to guide practitioners in the execution of their discipline compounded by the lack of

genuine internal understanding of the full requirements and cross functional implications of conducting such studies.

Figure 3: Managerial Barriers to Segmentation



Further, internal short term delivery pressures were said in some cases to result in trade-offs having to be made to prioritize investment into short term quick turnaround tactical initiatives at the expense of longer range strategic programs that require more time span to yield results. This aspect was also indicated to cause undue pressure for results leading to strategy being defined and progressed to implementation ahead of conclusive research guidance and offers being prematurely launched with increased risk for disappointing outcomes that could have been avoided with adherence to due process.

A related aspect presented was a sense that although research houses that are typically engaged to support execution of such studies present with strong technical capability within their discipline, their strategic appreciation capacity tends to be below the required levels necessitating the recruitment of additional strategic consultant service providers to augment these projects towards robust strategically relevant outcomes. This approach only serves to increase the level of investment required and ultimately renders these studies unattractively expensive. An additional dimension of interest introduced pertained to the issue of access to research capability in the broader African markets outside of South Africa to

support market research initiatives. Firms that are seeking to expand their services into the emerging opportunities across the continent are finding it difficult to find research service providers with comparable skills to those now available in South Africa. An opportunity may be emerging for South African researchers to better position themselves to respond to these budding prospects.

No direct supporting evidence was demonstrated for the view that segmentation studies are plagued by mandate definition elasticity. Practitioners described approaching such projects with relatively free reign to scope the projects. However, a relevant caution linked to this highlighted by the literature was the issue of struggling to attain full internal buy in of the results when these are finally presented coming from a backdrop where the initial scoping of the project was largely confined within the silo of the marketing or market research function (Dibb & Simkin, 2009).

Conclusion

In conclusion, the data showed strong evidence in support of the first proposition backed by close alignment with views expressed by the literature review and the outcomes of the study. Table 6 summarizes the key aspects presented by the proposition and how the literature and data converged in addressing these.

Table 6: Summary of Proposition 1 Outcomes

Assertions from the Literature	Insights from the Data
Limitations in marketing practitioner capability to do segmentation	Confirmed
Challenges in closing theory versus practise gap	Confirmed
Inadequate resourcing for implementation	Confirmed
Impact of organisation culture and other soft barriers	Confirmed
Over stretching the mandate of the segmentation study	No supporting evidence

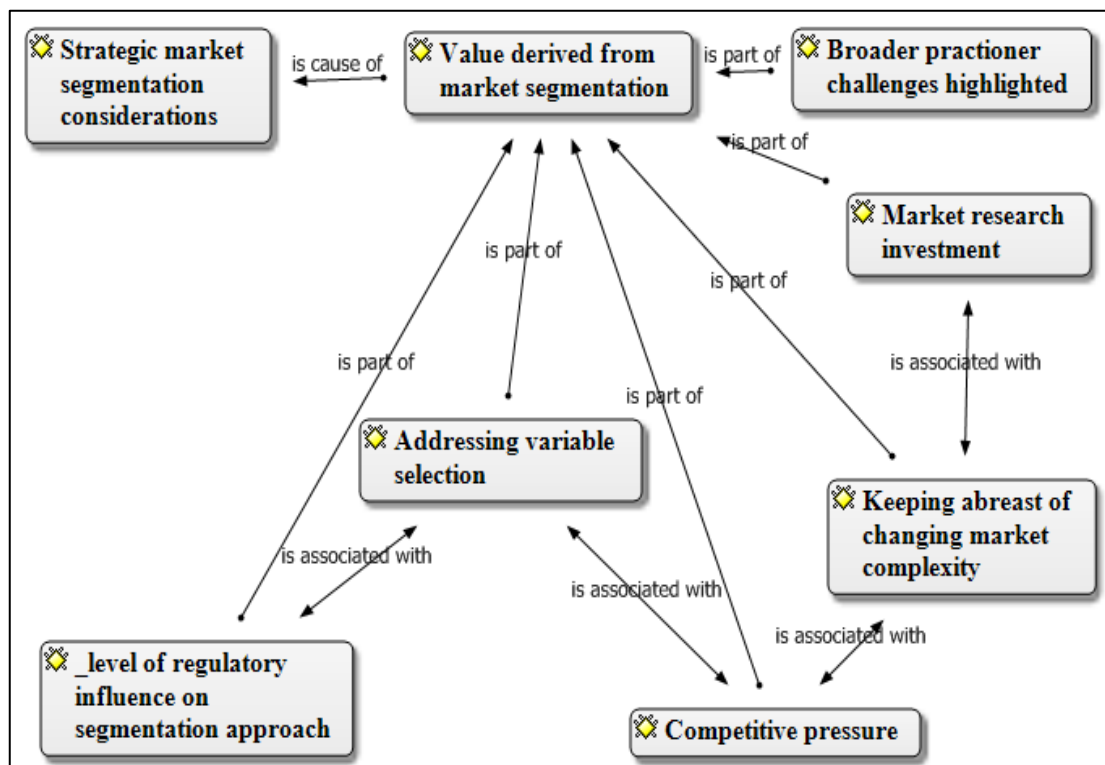
6.4.2. Proposition 2: Value of Market Segmentation:

A pertinent initial observation to be made is the fact that there was confirmation of some degree of implementation of strategic market segmentation across sectors in middle to large scale organizations. Consequently value is being extracted from this on multiple fronts that if viewed as a pyramid cascades from high level strategic clarity down to lower level operational benefits. In a strategic context, market segmentation was illustrated to add value by guiding the structuring of operating units giving clarity to lines of segregation along which to distinguish business units. This competence afforded by segmentation was noted to be as equally valuable to businesses with highly diverse portfolios of fairly distinct parcels of businesses as it was in less complex organizations whose portfolios constituted fundamentally similar activities spread across different market spaces. This outcome is well aligned with the views expressed by in the literature which pointed out that most business areas are constituted of segments with markedly distinct economies (Hedley, 1977). From this backbone organizations have been able to establish frameworks upon which to track their market segments more clearly and create logical streams for internalizing strategic and operational implications to enhance their competitiveness.

Figure 4 encapsulates the convergence of the various elements as they were represented in the data. Whilst the intrinsic value of market segmentation can be confirmed as having been unequivocally confirmed, aspects of proposition 2 stood out as a potential source of negation to some organisations attaining real strategic depth in the value creation potential of the discipline. This was in part related to the evidenced lack of consistency in the rigour with which market segmentation exercises are actually carried out. Approaches described stretched from complete reliance on secondary internal and external data sources about broad market characteristics through to full on primary research based more granular exercises that resulted in rich proprietary outcomes. An illustration of the secondary data approach was well positioned by a respondent from a very large dominant organisation who used the words “trial and error” to describe their secondary data driven market segmentation process. Perhaps in some cases, sheer scale of dominance has until now afforded fairly high levels of inefficiency in depth of analysis of target segments.

However, growing macroeconomic pressures were highlighted as having birthed an imperative particularly in these very same larger more diverse organizations, to extract more efficiencies by re-engineering portfolio structures to better leverage synergies across unit as a means of maintaining competitiveness. Refreshed strategic market segmentation clarity will once again be central in identifying where such strategically opportune sources of homogeneity between groups (Wind, 1978) can effectively be harnessed. Where study design was more rigorously executed and backed by sound research, positive reflection on the outcomes was consistently strong with confirmation that strategic benefit was realised. Further to this, companies have also been able to capture value further down the value chain, through the establishment of guiding clarity from which to springboard deeper customer and consumer segmentation analysis. In such scenarios sources of weakness seem to stem from shortcomings and operational limitations on how the findings are implemented rather than the quality of the segmentation outcomes themselves.

Figure 4: Value of Market Segmentation



Conclusion

The proposition sought to address the issue of value generated by segmentation in the face of the methodological rigor that practitioners choose to apply in conducting segmentation exercises to address dynamic market circumstances. The data confirmed that whilst there is a correlation between the two aspects, in reality it is not an unambiguous linear relationship. Despite this however the outcome suggests that there is recognition that it is better to invest in carrying out primary proprietary work to reap the rewards of depth and relevance in segmentation work.

6.4.3. Proposition 3: Variable Selection

Perspective on a possible “golden standard” (Jenkinson, 2009, p. 124) on the issue of variable selection is well captured in the literature by the assertion that going forward, “marketing managers should be encouraged to think about throwing out prevailing thinking and build original, proprietary segmentation models. Innovative segmentation bases and frameworks which break the mold help firms find market segments and niches that competition has overlooked” (Weinstein, 2006, p. 124). Evidence of some of this creativity appears to be starting to emerge in a few firms however these are certainly still in the minority. The vast majority revealed that they are still guided by the established patterns of the 1980s and 1990s and lean on typical segmentation variables such as geographic, demographic and psychographic variables (Venkatesh, 2011).

An example of the more creative and expansive approach was the use of identified 'needs' as a basis along which to segment. The approach taken in this regard was said to group customers into broad buckets of related need profiles before running them through multiple iterations of clustering based on emerging lines of commonality. Interestingly, demographic segmentation was taken as a necessary precursor to the needs based clustering but deemed to be insufficient to meet a desired level of reliability in the insights created.

The conventional approach tends to see practitioners defaulting to more established segmentation variable parameters such as demographics and following most popularly age and income lines of distinction to achieve what are arguably more limited profile outcomes (Yankelovich & Meer, 2006). Practicality was mooted by both proponents as the key driver behind the broad choice of approach. This was determined by both internal considerations such as ease of implementation alignment and communication across the business functions; as well as external considerations such as the need to embrace a broad base of highly divergent consumers into some sort of workable universe to aide analysis.

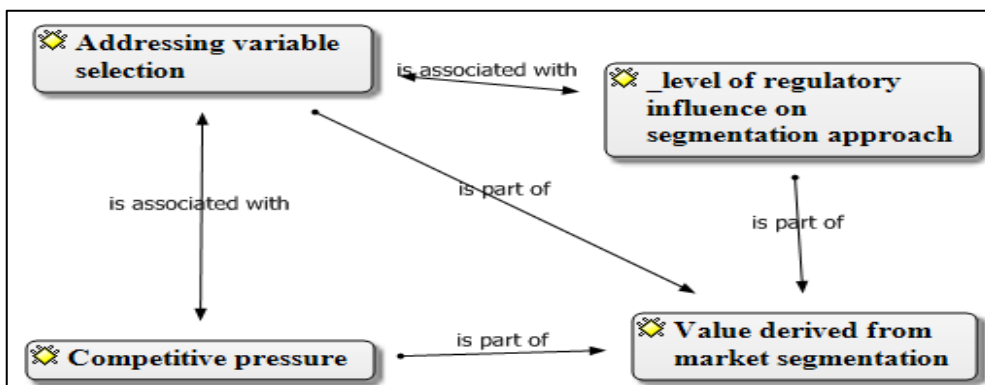
The literature presented detailed recommendations of the principles recommended for use in selecting variables, however no direct evidence of this being practically followed was presented by the practitioners for a couple of reasons. Firstly this level of detail was said to be the within the ambit of the services provided by research houses who

actually execute the study process and secondly many expressed a degree of sensitivity to revealing too much competitively sensitive information by delving into such levels of detailed discussion about their methodology and related outcomes.

In mapping the respondent based concepts and theme interfaces some key linkages emerged illustrated in Figure 5. The first of these was the prevalence of some level of regulatory influence that was presented as a factor impacting latitude in selecting variables to segment some of their markets. This outcome was aligned with the literature that suggested that in emerging market environments sociopolitical institutions tend to wield enormous influence on markets and business such that commercial interactions are more governed by these institutions than by the laws of free market competition (Sheth, 2011).

Pressure to attain competitive differentiation was the second aspect that emerged as a consideration in variable selection. However, whilst there was verbal recognition of the opportunity to differentiate based on target market segment definition; there were indications that given the prevailing largely conventional approaches to segmentation, this is a very difficult standard to attain. Alternatively segmentation has been used to establish clarity of competitor sets; benchmarking marketing market solutions and for more tactical responses to in shaping aspects such as communications and promotional activity.

Figure 5: Influences on Variable Selection



Conclusion

The proposition asserted that difficulty in selecting appropriate variables was a concerning barrier for marketers to implement market segmentation. The data suggests that although a clear capability gap exists in this regard, it has not prevented practitioners from engaging with this discipline. Rather the effect of this challenge has resulted in the segmentation outcomes that are being adopted remaining simplistic and conventional with limited differentiating value.

6.4.4. Proposition 4: Impact of Market Complexity

This area arguably attracted the richest volume of input from respondents. Clear sentiment of the challenges being faced in keeping abreast with market turbulence highlighted the sense of vulnerability that practitioners share in regard to this phenomenon. The data shows that the sentiments were also equally consistent across all industry sectors. Literature strongly support the views raised as being characteristic of emerging markets (Sheth, 2011).

Figure 6 outlines the findings and relationship interfaces. The first aspect pertains to the volatility of market environments. Practitioners are finding it increasingly challenging to keep abreast of not only the pace but also the diversity of the sources of change. Mention of the dual nature of the South African economy that can further be broken down into a multitude of niche segments was illustrative of this complex and often daunting reality. Interesting extremes were revealed being on the one hand the challenge of penetrating new up-and-coming market segments as economic access steadily expands whilst on the other trying to keep pace with the demands for world class advancement s linked to the rise of new technologies and related consumption pattern changes.

Established paradigms are continuously being challenged and played against the traditional approaches to market research based strategic market segmentation, practitioners are finding that data generated by extensive studies is sometimes obsolete before it has been fully converted into value adding strategies for their organizations. Credibility has become a key concern hampering their intercatons with executive leadership to influence the shaping of business strategy. This has been further exerbated by chronic under investment into market research that possibly would otherwise provide some degree of reassurance.

Specific endorsement linked to these challenges was highlighted in the literature with particular reference to the context painted about the dynamic transformations that emerging markets are set to see in the coming decades. The fundamental question was raised then of whether prevailing marketing competencies and practices would be able to continue to drive growth in emerging markets (Court & Narasimhan, 2010).

Figure 6: Dealing with Market Complexity

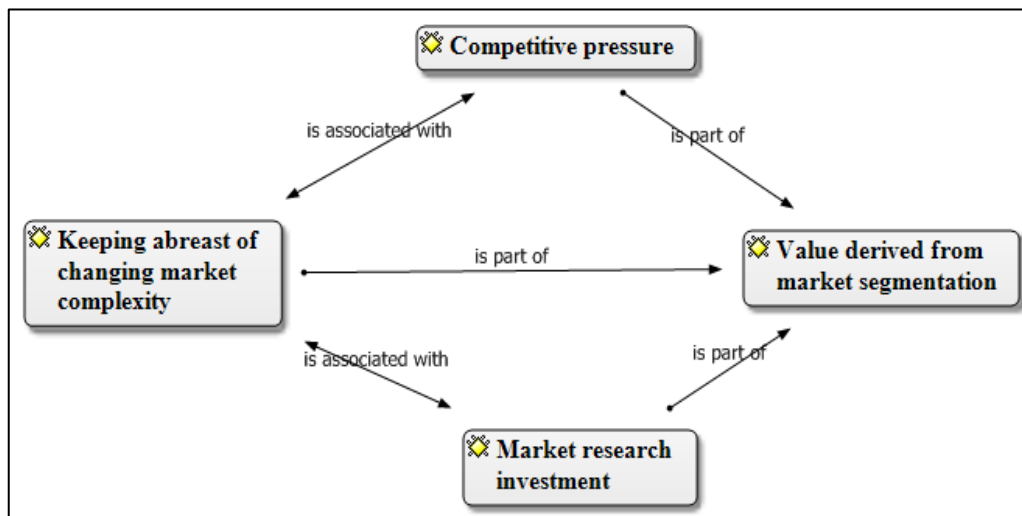


Figure 6 also highlights an association between the uncertainty of markets with increase in competitive pressure which was confirmed to be characteristic of emerging market spaces. Existing consumers coupled with rapidly growing segments of new consumers are logically perceived as highly attractive and hence are attracting both local and international competitive interest into these environments. Hedley suggests that an effective approach to dealing with considerable environmental uncertainty is to establish a clear relative competitive position in a chosen market as a central locus for the setting of sound strategic goals and use this as a basis for sustainable long range planning (Hedley, A Fundamental Approach to Strategy Development, 1976).

Conclusion

There was conclusive alignment between the data and the literature of the reality of dynamic market pressures bearing down on organisational capability to not only comprehend but consequently define strategic interventions to navigate the changes. The data clearly illustrated that this scenario has directly compromised the successful application of market segmentation agendas in South African companies. The challenge may not be an easy one to overcome given the diverse extremes of the local market which render it prohibitively expensive for companies in their individual capacity to attempt to fully track.

6.5. Additional Themes Identified

6.5.1. Sources of Competitive Distinction

This additional angle of insight emerged as a persuasive discussion point in light of assertions made relating to strategic market segmentation as a driver of competitive differentiation. The literature confirmed that at its best, segmentation can present with breakthrough opportunity to define market segments that competitors have not yet identified. However, this aspect still remains largely untapped by the majority of organizations who have not yet begun to explore more innovative approaches to defining their target market segments.

This reality was visibly apparent in the data clearly demonstrating that South African firms are largely still missing this opportunity. Companies are caught in the realms of traditional segmentation moulds where they openly acknowledge that there is essentially no difference between the strategies they employ and those used by their competitors. In some particularly difficult contexts where regulatory influence is high, this confinement appears set to remain as an almost permanent reality and has had the unintended consequence of confusing consumers about the real distinctions that exist between market players. The net effect of such a scenario is the risk of essentially commoditizing a whole industry and eroding investor value.

6.5.2. Market Research Investment

The second area of additional notable insight was related to the issue of adequacy of investment into market research. The literature clearly points to this as a foundational issue that precedes any hope of due confidence in market segmentation efforts. “If meaningful segmentations depend on finding patterns in your customer’s actual buying behavior, then to construct one properly, you need to gather meaningful data” (Yankelovich & Meer, 2006, p. 5). The findings presented a very varied picture of the practices impacting this issue in the South African context. A large number of firms appear to suffer chronic limitations in their level of investment to ensure appropriate levels of reliability in their market information sources. This challenge was expressly linked to greatly reduced value being captured from such tools as market segmentation.

Further, there appeared to be more cultural than organizational size dependencies linked to this feature. Organizations with senior leadership with strong appetite for detail tended to be more inclined to have more varied and updated usage of internally and externally collated market data. In addition, they also demonstrated structures that were designed to enable rigorous collation and regular updating of this information with strong analytical skills being recruited to manage this aspect. As illustrated in figure 6, an inference can be drawn from the findings that the cultural differences in positive support of robust investment into and use of market research insights tended to be demonstrated by firms that described themselves as being in highly competitive markets. Keeping abreast of multiple sources of particularly external data sources both directly and indirectly related to one's industry such as the South African deeds registry as an example, was highly valued as a means of keeping abreast with market trends. Wills and Webb (2007) summarised the importance of this well stating that "first class insight will drive the development of future revenue streams, generating value that will dwarf that achieved by simply concentrating on return on investment (ROI) from primary marketing expenditure" (Wills & Webb, 2006, p. 157).

6.6. Consolidating the Emerged Linkages

The rationale and benefits of strategic market segmentation (Dibb, 2001) were as per the literature well recognized in all the organizations that were included in the study. Figure 9 illustrates the shape of the chain of interactions that emerged as emblematic of the context of strategic market segmentation in corporate South Africa. As the plethora of offers, platforms, channels and mediums has continued to multiply, the attainment of a strategic market segmentation standard of any form across all commercial sectors has without doubt become progressively more challenging to attain. The complexity begins at the lowest rung of the process being the shaping of the segmentation study and extends through to the appropriate incorporation of the outcomes into the organizational strategic process and ultimately feeding into operational outputs. Jenkinson (2009) aptly pointed out,

“Segmentation that combines insight with descriptive, predictive and operational capability represents the most complete and powerful capability for marketers, when achievable and therefore a golden standard” (Jenkinson, 2009).

Companies are struggling with various aspects of the value chain with notable knock on effect on the effectiveness of their segmentation. The key drivers of the challenges being faced have been discussed in some detail in this chapter. In pulling the consolidated story together, the data input was mapped into a flow diagram that is presented in Figure 9. The chart shows the key nodes of the discussion and their interaction touch points organized to shape the sequence of events that typify the organizational interactions around strategic market segmentation process within the South African contest. Arguably at the crest of the of the matter lies the quest for sustainable competitive differentiation for advantaged business growth that is at risk of being missed due to lack of directional clarity and recognition of the building blocks required for this lucidity to be attained.

7. CONCLUSION

7.1. Introduction

The previous chapter presented a detailed discussion of the results that emerged from the research. This chapter concludes the study by reviewing the journey taken in conducting the research; briefly summarizing the findings and then outlining some key recommendations that have emerged. In addition areas of further study that the researcher identified will be highlighted.

7.2. Research Background and Objectives

This study was developed from an interest in gaining a deeper insight into the practical experiences of South African marketing practitioners in dealing with strategic market segmentation as a core marketing discipline. Wide ranging investigation into academic perspective on the subject matter was carried out and relevant insights were captured in the literature review contained in Chapter 2. Guided by the literature, four propositions were formulated that formed the basis of data gathering, reporting and subsequent analysis. The exploratory nature of the propositions informed the choice of research design and hence a qualitative approach was adopted.

Depth interviewing presented as the most suitable approach to guide the data gathering process. A discussion guide was compiled that enabled the researcher to capture key data from respondents whilst still enabling sufficient latitude for value adding tangential probing to explore unique nuances that emerged in individual discussions. Ten depth interviews were held with senior marketers from ten different companies and across six different sectors being financial services; telecommunications; mail and courier services; food manufacturing; pharmaceuticals and agri-seed production. This diversity of contribution was intended to help the researcher to capture broad based perspective on the subject matter.

7.3. Principal Findings

Chapter 5 gave a detailed breakdown of the key findings of the study with verbatim extracts from interviewees being presented in the report to give a clear flavor of responses. The results were presented in such a way as to not only align with the core propositions outlined in Chapter 3, but also introduce some additional contextual themes and concepts that emerged from the data.

In essence, the data presented a story that was very much aligned with the assertions presented in the literature review that suggested the following:

- Marketing practitioners regard strategic market segmentation as a core discipline within their field of expertise and operations
- Strategic market segmentation plays a key input role in marketing's interface with the broader business strategy development process.
- Practitioners recognize the importance of getting segmentation right as a key source of credibility in how they influence strategy, product development and ultimately operational efficiencies within their organizations
- The practice of market segmentation is however fraught with challenges which are encountered from conceptualization of such studies through to acceptance and implementation of the findings that are the source of much frustration for practitioners in the South African context largely akin to the same presented by academic perspective.
- South Africa being not only an emerging market but also a member of BRICS group of rapidly advancing nations, presents with unique dynamics that are characteristic of such new frontier environments.
- A key challenge is the issue of capability limitations that present in various formats that include resources to invest into the required levels of continuous research effort; access to tools to guide selecting of appropriate segmentation variables as well as reliable frameworks to keep abreast of the complexity of rapidly changing markets.

7.4. Recommendations for Marketing Practitioners

A number of recommendations presented themselves from two key sources. The first was from gaps identified on aligning the findings to some of the academic assertions from the literature. The second source emerged from triangulating respondents' experiences from different industry sectors and identifying opportunities for effective generic practices to be shared amongst practitioners across sectors.

The first recommendation pertains to the issue of study design and more specifically the selection of variables as a basis for segmentation. Practitioners in South Africa appear to be largely defaulting to traditional parameters such as demographic, socioeconomic and geographic aspects as primary lines of distinguishing heterogeneity within markets. Opportunity exists for more innovative variables to be identified and adopted with the possibility of yielding yet unexplored market segments that would enhance competitive distinction.

Secondly, marketing practitioners in some contexts may benefit from wielding more strategic influence over the effective leverage of strategic market segmentation within their organizations by applying more structure into how these studies are carried out and how the findings are subsequently cascaded into the business. There appears to be room for more assertive bottom up influencing of how segmentation is regarded and hence leveraged within organizations. Marketers may be missing the opportunity to affirm their relevance at the executive strategy table.

The third recommendations is perhaps more relevant to market research practitioners and pertains to the context with which they show up in the delivery of strategic market segmentation studies. Several references were made to the limitations experienced by marketers in their interactions with research houses with regards to the depth of their appreciation of strategic context of market segmentation. Seemingly researchers may have missed how expectations of their services have evolved to require a deeper insight into the application context of the

results which the studies they are engaged to carry out will ultimately apply. It is no longer enough to simply execute research work well. Potential reward for stretching themselves thus, seems to lie in the opportunity to access bigger share of strategy project budgets which are currently being burdened by the need to recruit multiple consultant interfaces in a bid to formulate more strategically sound outcomes.

The dynamic market context was unanimously mentioned as a challenging reality that practitioners face. The literature confirmed that this phenomenon is an unavoidable reality of emerging markets. An apparent recommendation stemming from this is the need for more cross industry interaction in debating and analyzing the diversity of drivers that characterize the South African market. A case in point is the issue of sustainably addressing the bottom of the pyramid markets. Marketers are struggling to identify fit for purpose approaches to access more granular insight into the potential that sits within this segment. Chronic data shortages have been exacerbated by the difficulty for individual companies to formulate viable business cases to justify resource investment into necessarily diverse, large scale market studies.

7.5. Limitations of the Research

This research project as with any other is not without its limitations that need to be mentioned and recognized for the constraints they pose on the overall outcomes. From the onset, the researcher did not seek to establish conclusive theories or causal relationships related to the subject matter but to broadly access some explanatory input into the diversity of issues that sat behind the propositions that were formulated and their possible interrelationships. Being an exploratory study, there are implied limitations on the exhaustive potential of the findings. The qualitative data gathered cannot by nature be inferred as representative of any population universe as statistical sampling disciplines were not employed in the research design. At best, the results can only be referenced against the body of academic perspective as has been done in this report, in a bid to align the findings with the existing body of recognized expert knowledge. Similarly, the resulting concepts and models generated from the data should be regarded as essentially descriptive in nature.

Finally, the study does not serve in any way as an exhaustive discussion of the issues related to strategic market segmentation practice in corporate South Africa. By virtue of having a defined set of propositions, limitations were already imposed on the breath applied to exploring the subject matter. Further, the propositions were developed as a means of establishing some logical guiding pathway along which to engage contributions and explore aspects of the subject matter but in themselves were not embedded in a research design framework that enabled their exhaustive address. The inclusion of a wider range of respondents from a broader base of sectors would be one essential addition required to improve the representative scope of the data gathered.

7.6. Suggestions for Future Research

Several angles of further research presented themselves during the development of this report. These stemmed from opportunities to enhance the substantiality of investigation into similar propositions as those that drove this study, extending into divergent themes that emerged at various stages of the process. These are outlined below.

1. As stated above, more expansive investigation into research propositions that were identified presents an opportunity to expand thinking and insight into the South African landscape practicalities. There is opportunity for both further exploratory as well as explanatory investigations to be carried out in this context.
2. From a more related perspective and linking into one of the recommendations made earlier; the research practitioner's perspective on challenges of supporting the definition and execution of strategic market segmentation projects in medium to large organizations presents as another angle for further study. Insights from such a study would serve to necessarily inform marketing practitioners of perspective that research houses hold about currently unnoted challenges and opportunities that exist in how the two interface.
3. The literature highlighted a growing trend that is seeing marketing tools finding deepening recognition by business executives in analyzing markets to inform strategy. This however as evidenced in part by some of the data gathered by this study, is not necessarily aligned with the rise in profile of marketing practitioners as valuable strategic pillars. A study into perspective on why marketing tools and not necessarily marketing practitioners are finding a space in executive strategy development today presents itself here as a potentially insightful revelation of how marketing practitioners are being viewed.
4. A complimentary discussion on the strategy development process emerged as a strongly related subject matter during the course of conducting this study. The interaction between senior executives and functional practitioners such as

senior marketers emerged as a consistent theme across all organizations however, there were notable disparities in how this took shape. The driver of the process appears to be executive leadership and hence the proposal thus for a further study into executive perspective on how to get top-down bottom-up strategy development interaction right in leading organizations.

5. Closely related to further study outlined in point number 4 above, is the need to explore a rising question around the role of marketing departments in emerging market environments and the related effect on how these departments are consequently being structured. The researcher observed that unlike the finance department for instance to draw a related analogy, the function and hence the shape of marketing departments seemed to vary dramatically from one organization to the next even within the same industry sectors. A multitude of interpretations seem to abound as to the definition and role of the marketing function. The question that presents is why is marketing failing to take a consistent and distinctive role and form?

7.7. Conclusion

In conclusion, this study has been carefully shaped to take readers through a journey of discovery on the issue of putting strategic market segmentation into practice within the South African market context. In examining this subject, topical issues such as the rise of emerging markets and their impact on business competencies have presented themselves as relevant considerations that have impacted business today. The discussion suggests that South African marketing practitioners may not have realized that they themselves are on a frontier within the context of the discipline. Questions have been raised about the relevance of traditional market segmentation and indeed broader marketing practices within emerging markets. The answers need to be shaped by those that sit in the so called coal face and actually operate within these environments.

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Appendix 1

DISCUSSION GUIDE

Introduction: Thank you for the opportunity to meet with you. This study aims to capture a number of diverse perspectives on the approach and experiences of marketing practitioners in designing and implementing strategic market segmentation in their companies.

C1: Setting the scene

- Name, age, gender
- Job title,
- Please can you give me a brief overview of your career background
- Departmental structure and key functions

C2: General marketing strategy context

- Please talk me through your marketing strategy planning cycle
Aspects to probe: key stages; who participates and why; planning timeframe
- How do the outcomes get integrated into the broader business strategy agenda?

C3: Turning to market segmentation

- How would you define market segmentation
- What would you say are the key challenges faced by marketers tackling market segmentation in the South African context?

C4: Exploring Market Segmentation constructs

- How does your organisation approach the strategic segmentation of target markets?

Aspects to probe: Who champions; whether approach is radical or incremental; how approach is chosen?

- What are the key considerations in selecting variables

C5: Review of the procedures followed

- How would you rate your organisational capability level in designing market segmentation initiatives
- How distinctive would you say your segmentation strategy is from your competitors?

C6: Implementation approach & challenges

- How is implementation of the segmentation outcomes planned
 - What would you say are the top three challenges your firm faces in designing and implementing strategic market segmentation?

C7: Conclusion and Thanks