The Implementation of Marketing Programs for New Target Segments

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St. Gallen, October 26, 2011

The President:

Prof. Dr. Thomas Bieger
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Abstract

Market developments enforce companies to move their business activities beyond traditionally targeted market segments. The targeting of new market segments enables companies to generate additional growth, diversify risks and compensate for losses in competitively intense market segments. However, the majority of companies’ targeting efforts fail. The implementation of a segment-specific marketing program for a new target segment confronts companies with severe challenges and is perceived as the major reason for the failure of targeting efforts. The fact that companies experience difficulties in the implementation of marketing programs in general and for new target segments in particular, has received surprisingly little attention in marketing research. For this reason, this dissertation takes a closer look at this issue and reveals how companies can successfully implement a segment-specific marketing program for a new target segment.

The implementation of a marketing program for a new target segment requires the adaptation and alignment of existing marketing activities towards the new target segment. This dissertation uncovers the requirements that a marketing program must fulfill in order to yield positive responses from the new target segment. It reveals how companies adapt marketing activities for a new target segment and introduces a framework of specific adaptation options that companies have when they adapt the components of a marketing program. It also sheds light on the factors that determine the appropriateness of specific adaptation options. On the basis of different patterns in marketing program adaptations, a typology of six distinctive and potentially successful strategies that companies can pursue when they target a new market segment is introduced. Finally, the internal drivers and barriers that either enforce or impede a company’s implementation of targeting efforts are discovered.

The findings of this dissertation are based on expert interviews and the ex-post investigations of companies’ targeting efforts. They contribute to the research in the area of market segmentation and advance the theory on targeting strategies. The work supports managers in the implementation of marketing programs for new target segments. The findings of this research are integrated into a five-step process model that can be used as guidance and a roadmap when implementing target efforts.
Zusammenfassung


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### Abbreviations

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<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ATL</td>
<td>Above The Line</td>
</tr>
<tr>
<td>BTL</td>
<td>Below The Line</td>
</tr>
<tr>
<td>B-to-B</td>
<td>Business-to-Business</td>
</tr>
<tr>
<td>B-to-C</td>
<td>Business-to-Consumer</td>
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<tr>
<td>CART</td>
<td>Classification and Regression Trees</td>
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<tr>
<td>CHAID</td>
<td>Chi-squared Automatic Interaction Detector</td>
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<tr>
<td>DIY</td>
<td>Do-It-Yourself</td>
</tr>
<tr>
<td>E</td>
<td>Expert</td>
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<tr>
<td>FMCG</td>
<td>Fast Moving Consumer Goods</td>
</tr>
<tr>
<td>GRPs</td>
<td>Gross Rating Points</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resources</td>
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<tr>
<td>LGBT</td>
<td>Lesbian, Gay, Bisexual and Transgender</td>
</tr>
<tr>
<td>N.N.</td>
<td>Nomen Nescio (unknown author)</td>
</tr>
<tr>
<td>PoS</td>
<td>Point of Sale</td>
</tr>
<tr>
<td>RFM</td>
<td>Recency, Frequency, Monetary value</td>
</tr>
<tr>
<td>STP</td>
<td>Segmentation, Targeting, Positioning</td>
</tr>
<tr>
<td>SUV</td>
<td>Sports Utility Vehicle</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>US</td>
<td>United States</td>
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1 Introduction

1.1 Background and Problem Formulation

Changing market conditions and companies’ desire to grow have increased the managerial attention towards new market segments. New market segments enable companies to generate additional revenues and to recover lost revenues in established market segments. However, as attractive the potential of new segments can be, as difficult is its exploitation. Companies face severe challenges in their targeting efforts and often fail. The implementation of a successful marketing program that yields positive responses from a new target segment is perceived as the major challenge and success factor in companies’ targeting efforts towards new market segments.

1.1.1 Increased Managerial Attention towards New Market Segments

The acquisition of a new market segment, which means to sustainably win a new customer group that has not specifically been targeted by a company before, is a topic that has always received attention in practice. Companies perceive the extension of their business activities beyond a traditionally targeted segment as a potential source of additional profits and as a necessity to secure existing revenue streams. Besides the general interest in new target segments, management has paid particular attention to the topic in the last decade.\(^1\) This high amount of attention is grounded in market developments that motivate companies to target new market segments. The saturation of traditional market segments, intensified competitive pressures, societal transformation processes and consumer fragmentation force companies to approach new market segments.

The entry into new target segments is an attractive source of additional and sustainable growth. Benefiting from consumers’ urges to eat healthy and low fat food, the *Nölke-Group* could increase the penetration and consumption intensity of its *Gutfried* poultry meat products among its main target segment of women. In fact, they have become market leader in the segment of women in Germany. For the *Nölke-Group*, additional and new target segments are perceived as attractive source and driver of growth.\(^2\) Companies can face situations where growth potential in traditionally targeted segments reaches its limit. While the acquisition of an additional customer in an

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1 Belz (2007), pp. 118-122: The pursuit for new market segments is rated among the top three topics which shape companies’ marketing approaches.
2 The Gutfried example is based on expert interview [38], Gutfried (Stenske)
established and saturated market segment requires high financial resources, the marginal costs to acquire a customer in an underserved, emerging or growing segment are substantially lower.\(^3\) New market segments usually provide higher and more sustainable revenue potential in comparison with saturated and established market segments.\(^4\) Against the widely held belief that customer retention is the most significant factor in business success, evidence has arisen that customer acquisition is favorable in markets and segments that are saturated.\(^5,6\) In view of the saturation of traditional market segments, targeting new segments becomes important in order to yield growth.

In some circumstances, targeting new market segments might even be perceived as the sole alternative to counterbalance losses in established and served market segments. The main challenges that marketing managers need to deal with are aggressive competitor behavior and cut-throat competition.\(^7\) Companies increasingly face severe competitive pressures and find themselves in ‘hypercompetitive’ markets.\(^8\) Some companies are forced to discover and exploit new market potentials.\(^9\) Globalization, deregulation and advances in information, communication and transportation technologies have eroded national market boundaries, simplified market access and increased the number of competitors.\(^10\) Intensified competition has resulted in shortened product life cycles, product proliferation, downward pressures on prices and higher marketing spending to retain customers.\(^11\) Approaching a new market segment provides the opportunity to avoid competition and to regenerate the revenues lost in competitive market segments. Beate Uhse, Europe’s largest retailer, wholesaler and manufacturer of adult lifestyle goods, experienced high competitive pressures within the segment of males. Being confronted with download portals on the internet, Beate Uhse faced a strong decline of its high-margin business with its erotica magazines and movie DVDs. In order to respond to the competitive pressures, Beate Uhse redirected its efforts and set higher priority on its lifestyle business. Having previously focused on the male market segment, Beate Uhse started to actively target women with sex

\(^3\) Koch et al. (2003), p. 36
\(^4\) Expert interview [38], Gutfried (Stenske)
\(^6\) Goodwin and Ball (2003), p. 20: Goodwin and Ball emphasize the economic gain from focusing on customer acquisition. They compute that a firm having a 12.5% share of market enjoys 7 times the revenue impact from a 1% increase in acquisition than from a 1% increase in customer retention.
\(^7\) Belz (2007), p. 118. In a longitudinal study (1992-2006), Belz has investigated challenges and innovative marketing approaches in Swiss, German and Austrian companies.
\(^8\) Hitt et al. (1998), p. 26
\(^9\) Koch (2006), pp. 87-91
toys, wellness products and lingerie. The expansion of its efforts beyond the male segment has proven to be successful as women now contribute a substantial part of Beate Uhse’s business.\textsuperscript{12}

The pursuit for new market segments is also fueled by societal transformation processes. New market segments emerge and grow, whereas established market segments may decline. Societies become more heterogeneous and companies can act upon the opportunities produced by shifts in society. Continuous changes in the organization of the family, gender roles, lifestyles and value sets alter society and thus how societal members consume products and services.\textsuperscript{13} Increasing life expectancy and decreasing birth rates are observable in both developed and developing countries.\textsuperscript{14} In contrast to the overall trend of declining populations in Western countries, the number of societal members with a foreign background rises. The increasing number of older people and ethnic minorities in the society and their high propensity to consume enable companies to benefit from societal transformation processes.\textsuperscript{15} In Germany, almost 20 percent of the population consists of people with a non-German background and every third child born has parents with a migratory background.\textsuperscript{16} Many companies have recognized the potential of 2.9 million inhabitants with a Turkish background in Germany and have started to actively target Turks in Germany. Deutsche Bank, for instance, established Bankamiz, an offering solely targeted at Turks in dedicated branches.\textsuperscript{17} E-Plus created the mobile telecommunication brand Ay Yildiz, which provides cheap call rates to Turkey, and Haribo offers halal wine gums without pork-based gelatin.\textsuperscript{18} Hence, societal transformation processes require companies to rethink existing segmentation schemes and open up possibilities to generate additional and substitute existing revenue streams.\textsuperscript{19}

\footnotesize
\begin{itemize}
\item \textsuperscript{12} The Beate Uhse example is based on expert interview [35], Beate Uhse (Tscherwokoff)
\item \textsuperscript{13} Belch and Willis (2002), p. 112; Koch (2006), pp. 74-75
\item \textsuperscript{14} UN (2009): In developed countries, 20% of the population is 60 years or older and by 2050 this ratio rises to almost 33%. In developing countries, the proportion of the older population is expected to rise from 10% in 2005 to almost 20% by 2050. In Switzerland and Germany the proportion of the population of 60 years or older is 23% and 26% respectively in 2009. This proportion is supposed to increase to 32% in Switzerland and 40% in Germany by 2050. The median age in Switzerland and Germany is 41.7 years and 43.9 years respectively in 2009. The median age is supposed increase to 44.9 years in Switzerland and 51.7 years in Germany by 2050.
\item \textsuperscript{15} Dorfner (2009), p. 1; Cui and Choudhury (2002), p. 54: Ethnic minorities comprise 25% of the total population with a purchasing power of $1 trillion in the United States in 2000. In 2050, it is expected that ethnic minorities will increase to 47% of the total population.
\item \textsuperscript{16} Statistisches Bundesamt (2010), p. 6 & p. 60
\item \textsuperscript{17} Kessler (2006), p. 44
\item \textsuperscript{18} Schuchert-Güler (2009), p. 31
\item \textsuperscript{19} Koch (2006), p. 1
\end{itemize}
Companies are exposed to immense dynamics in segments, fragmentation and need escalation.\textsuperscript{20} Consumers’ needs become more diverse, consumer requirements constantly change and consumer demands become more sophisticated.\textsuperscript{21} Consumers are no longer satisfied with offerings that adequately meet their needs; they demand offerings that match their specific expectations perfectly. Companies need to act upon fragmented consumer behavior, solidify market segments and proactively differentiate their offerings to meet the needs of customers. Over the years, consumers’ needs have not only changed but also diversified and become more specific. *Fissler*, the prominent and reputed cookware producer, has long been benefiting from its innovation and technological competences. *Fissler* has brought several inventions and improvements to the market, such as the field kitchen, the pressure cooker and the non-stick coating pan. Precise workmanship and quality ‘*Made in Germany*’ enabled *Fissler* to prosper with offerings targeted to the mass market. However, in the last decade, cooking behaviors and needs have changed tremendously. Fast preparation and convenience are as important to some consumers as healthy cooking is to others; yet others are inspired by famous TV cooks and seek equipment that allows the cooking of exclusive and sophisticated dishes. In order to respond to the various needs, a one-size-fits-all strategy simply does not work anymore and companies have to serve different market segments distinctively.\textsuperscript{22}

Against the background of saturated market segments, intensified competition, societal transformation and fragmentation, it is not surprising that the pursuit for new market segments receives increasing attention on the agenda of marketing managers. It gains highest priority and is perceived as an innovative way to respond to changing market conditions.\textsuperscript{23} *Figure 1-1* summarizes the market developments that increase the relevance of targeting new market segments.

\textsuperscript{20} Belz (1995), p. 6 & p. 25; Sheth et al. (2000), p. 60
\textsuperscript{22} The Fissler example is based on expert interview [46], Fissler (Loges)
\textsuperscript{23} Belz (2007), pp. 118-122
1.1.2 The Challenge to Implement a Marketing Program for a New Target Segment

The high relevance of targeting new market segments is accompanied by the enormous challenges that companies need to consider when they approach a new market segment. Companies that decide to enter a new market segment run through the process of market segmentation. Market segmentation is the process of subdividing a heterogeneous market into distinct subsets of homogeneous segments of customers who share certain characteristics, attitudes, needs or behaviors. Each segment can be selected as a target segment and provided with a segment-tailored marketing program. The overall benefit of market segmentation incorporates the identification of customers’ differences and similarities in order to better understand their specific needs and characteristics. Market segmentation enables companies to identify and serve new market segments distinctively, effectively and efficiently. However, the segmentation process presents companies with severe challenges. In fact, most attempts to sustainably win a new target segment fail. Companies have difficulty in identifying new target segments that have a reasonable size and legitimizing distinctive and specific marketing activities. A lack of market and segment information hampers the evaluation of the attractiveness of potential target segments. Companies also experience difficulties in implementing segmentation findings into

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27 Expert interview [30], Mayer de Groot Marketing Research and Consult (Mayer de Groot)
28 Expert interview [01], anonymity guaranteed
29 Expert interview [03], anonymity guaranteed
concrete and segment-specific marketing activities. I held interviews with 25 experts from various industries to identify in which phase of the segmentation process companies experience the most challenges. I asked the experts whether they face the most difficulties in the segmentation process with: (1) the identification of potential new target segments; (2) the evaluation and selection of potential new target segments; or (3) the implementation of a segment-specific marketing program for the new target segment. Most experts perceive the implementation of a segment-specific marketing program for a new target segment as a major obstacle and challenge. Table 1-1 provides an overview of the steps of the segmentation process and allocates the experts that refer to the various stages as major challenges.

Table 1-1: Experts referring to each segmentation process step as a major challenge

<table>
<thead>
<tr>
<th>Segmentation process step</th>
<th>Experts referring to the process step as major a challenge</th>
</tr>
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<tbody>
<tr>
<td>The identification of potential target segments</td>
<td>E-1, E-4, E-6, E-8, E-11, E-13, E16, E-20, E-21, E-23</td>
</tr>
<tr>
<td>The evaluation and selection of potential target segments</td>
<td>E-1, E-2, E-3, E-5, E-10, E-15, E-22</td>
</tr>
<tr>
<td>The implementation of a segment-specific marketing program</td>
<td>E-1, E-2, E-4, E-5, E-6, E-7, E-8, E-9, E-10, E-11, E-12, E-13, E-14, E-16, E-17, E-18, E-19, E-20, E-21, E-22, E-23, E-24, E-25</td>
</tr>
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Uncertainty and difficulties in the implementation of a segment-specific marketing program for a new target segment are severe in practice. In order to sustainably win a new target segment, a company must overcome several purchase barriers. Marketing activities targeted to a new market segment need to gain the consumers’ attention, create awareness, educate consumers and persuade them to change consumption routines and behaviors. Companies often underestimate the efforts required for the implementation of a successful marketing program. Offerings targeted to a new market segment often lack relevance and do not address important needs. Products are barely adapted and miss distinctive features that provide the consumer with a benefit that other offerings in the marketplace are not able to deliver. Companies also tend to ‘over-engineer’ products and provide numerous features in order to satisfy as many needs as possible. However, this fallacy rather leads to mediocre products in

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30 Expert interview [14], anonymity guaranteed
31 Expert interviews were held in research phase I (see Section 1.3.2.1). For the list of expert interviews, please refer to Appendix A. Experts could rate more than one process step as major challenge.
32 Expert interview [12], anonymity guaranteed
33 Expert interview [30], Mayer de Groot Marketing Research and Consult (Mayer de Groot)
34 Expert interview [38], Gutfried (Stenske)
which the company has sacrificed the strengths of specific benefits for mass compatibility.\textsuperscript{35} Marketing communication targeted to a new market segment often does not achieve the intended effects: it either does not reach the targeted audience or its impact is not strong and sustainable.\textsuperscript{36} The messages that companies send to new target segments lack a ‘reason-why’ and consumers do not perceive the offering as best alternative. The creative execution is insufficiently adapted towards the new target segment and lacks appropriate tonality and credibility.\textsuperscript{37} Companies need to provide access to the offerings for the new target segment and guarantee the offering’s visibility in the marketplace. The creation of a segment-specific distribution system is, however, associated with massive challenges and investments.\textsuperscript{38} Consumers need to encounter the offering in their favored shopping channels in an environment that presents the offering in an appropriate manner. Companies face difficulties in selecting appropriate channel partners and ensuring segment-specific market coverage.\textsuperscript{39}

Why are many companies not able to implement effective marketing programs for a new market segment? In many cases, companies do not have sufficient information about the market in general and the segment in particular. A company needs to collect insights on the segment’s characteristics, attitudes and behaviors and needs to develop effective marketing activities. Even if insights are available, employees may not have the expertise and skills to translate these into effective marketing activities.\textsuperscript{40} Decisions are often based on intuition, gut feeling and stereotypes.\textsuperscript{41} Numerous possibilities exist to adapt marketing activities for a new target segment. However, different alternatives are often not considered and evaluated.\textsuperscript{42} Companies do not have the procedures and guidelines in place that would support employees in the implementation of a marketing program.\textsuperscript{43} The implementation of a marketing program is associated with high complexity. Many processes and activities run parallel and require input from, as well as cooperation between, various functions within a company. Responsibilities need to be clear. The absence of coordination restrains the organization and execution of processes and activities.\textsuperscript{44} A company’s targeting efforts are hampered by resistance and politics among employees and functions in the

\begin{itemize}
\item \textsuperscript{35} Expert interview [14], anonymity guaranteed
\item \textsuperscript{36} Expert interview [17], anonymity guaranteed
\item \textsuperscript{37} Expert interview [28], Bluestone (Jaffé); Expert interview [33], FrischCo. (Kreienkamp)
\item \textsuperscript{38} Expert interview [41], Dextro Energy (Ehrenbeck)
\item \textsuperscript{39} Expert interview [21], anonymity guaranteed
\item \textsuperscript{40} Expert interview [17], anonymity guaranteed
\item \textsuperscript{41} Expert interview [31], LEAD Innovation
\item \textsuperscript{42} Expert interview [21], anonymity guaranteed
\item \textsuperscript{43} Expert interview [17], anonymity guaranteed
\item \textsuperscript{44} Expert interview [14], anonymity guaranteed
\end{itemize}
The implementation of a marketing program for a new target segment requires the involvement and pro-active behavior of employees. Employees, however, perceive new segment projects often as burdens. The management must prioritize the project and convey its importance. The acquisition of a new market segment must be an integral part of the corporate strategy and the management must commit to its implementation. If the project does not gain priority from the management and it is instead recognized as one minor project among many others, it is doomed to fail. The implementation of a marketing program for a new market segment may require substantial changes and resources. However, large investments into new market segments are uncommon. Top management is usually rather careful with substantial shifts in budgets. Limited monetary and human resources restrict the implementation of segment-specific marketing activities.

In sum, companies often implement marketing programs that are not able to sustainably win a new target segment; such marketing programs may lack relevance, superiority, reach, credibility and market coverage. Companies lack the relevant information, expertise and guidelines to implement segment-specific activities. The absence of coordination mechanisms, a pro-active culture, management commitment and resources further impede the effective implementation of a marketing program for a new target segment. Figure 1-2 summarizes the challenges and difficulties that companies may face when they implement a marketing program for a new target segment.

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45 Expert interview [31], LEAD Innovation  
46 Expert interview [17], anonymity guaranteed  
47 Expert interview [40], Bank Coop (Peter)  
48 Expert interview [41], Dextro Energy (Ehrenbeck)  
49 Expert interview [12], anonymity guaranteed  
50 Expert interview [27], Beys (Gözüakça)
Figure 1-2: Challenges associated with the implementation of a marketing program for a new target segment

Limited and scarce resources

Insufficient skills and expertise of employees

Missing market and segment information

Insufficient procedures and guidelines

Deficient top management commitment

Low involvement and pro-active behavior

Absence of coordination mechanisms

Ineffective marketing program for a new target segment:
- Lack of relevance
- Lack of superiority
- Lack of reach
- Lack of credibility
- Lack of segment coverage

1.2 Research Gaps and Research Goals

The fact that companies experience difficulties in the implementation of segment-specific marketing programs, in general and for new target segments in particular, has received surprisingly little attention in marketing research. Research in market segmentation has focused on the identification and description of segmentation bases and models, as well as the development and application of statistical methods and research methodologies in terms of data requirements. A normative focus and the attention on statistical and technical aspects in market segmentation research has led to a theory-reality gap. Födermayr and Diamantopoulos (2008b) conclude that the focus of research on segmentation bases has been at the expense of advances in other segmentation process phases and has subsequently limited the progress of the concept. ‘What’ segmentation is and ‘why’ it should be undertaken provide good reasons for its practice; however, market segmentation should go beyond the identification of statistically homogeneous groups of consumers and should address

51 Goller et al. (2002), pp. 252-253
52 Belz (2009b), pp. 21-22; Young et al. (1978), p. 405
53 Födermayr and Diamantopoulos (2008b), p. 224
the issues relevant for marketing managers, such as the transfer of segmentation findings and the implementation of segment-specific marketing programs.

A vast amount of research in market segmentation literature deals with specific market segments, such as baby boomers, yuppies, post-modernists, women, the gay community, the elderly or ethnic minorities. However, the investigations into specific market segments mostly relate to the description and the relevance of the segment in terms of segment growth, potential, purchase power, consumption and purchase behavior, as well as the segment’s needs. There is actually some research that examines the execution and implementation of marketing activities for specific market segments. However, researchers have only investigated individual marketing instruments and have mostly examined communication and advertising tactics. The research findings do not provide general and comprehensive conclusions for the implementation of a segment-specific marketing program.

Against the background that companies face severe problems with the implementation of a segment-specific marketing program for a new target segment and the fact that the scientific literature has not provided comprehensive insights on this subject, this research addresses the following central and overarching research question:

How can companies successfully implement a segment-specific marketing program for a new target segment?

In order to answer the central question, it is necessary to break the question down into more specific issues. For instance, little is known about the requirements of a successful marketing program for a new target segment. Marketing literature often does not differentiate acquisition efforts between traditionally served and newly targeted market segments. While the research that focuses on customer acquisition primarily investigates the various steps in the customer acquisition process, no differentiation is made between the acquisitions of varying customer groups. New target segments in particular impose challenges that deviate from acquisition practices in traditionally served segments. In the market segmentation literature, no distinction is made with respect to the implementation of a marketing program for existing customers or newly targeted market segments, although differences are obvious. While marketing programs targeted to existing customers can build upon established

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55 Koch (2006), pp. 4-5
56 Koch (2006), pp. 5-6
57 Koch (2006), p. 44
58 Karg (2001), pp. 3-4
awareness levels, a new target segment may not even have knowledge of the company and its brands. Whereas existing customers attach strong and favorable associations to a company’s brand, newly targeted customers may have none, irrelevant or even unfavorable associations attached to it. Existing customers repeatedly purchase a company’s offerings while newly targeted consumers may not even consider the product category at all or have strong emotional bonds with a competitor’s offering. The implementation of a segment-specific marketing program for a new target segment is, therefore, considerably more difficult. Little research exists that comprehensively reveals the requirements of a successful segment-specific marketing program for a new target segment. Hence, the first goal of this research is to explore the requirements that a segment-specific marketing program needs to fulfill in order to yield positive responses from a new target segment.

Research Goal 1: Explore the requirements of a successful segment-specific marketing program for a new target segment

Market segmentation literature provides only very limited guidance for the implementation of segmentation results into concrete activities. It is generally suggested that companies should rigorously direct marketing activities towards the needs and requirements of the targeted market segment. However, business practice provides evidence that the totalitarian implementation of marketing activities as suggested in normative market segmentation theory is rather the exception than the rule. Companies tend not to develop marketing programs from scratch but adapt existing marketing programs. While some companies only implement an advertising campaign to target a new market segment, others seek new distribution channels and yet others even create a new brand for a new target segment. The intensity with which companies adapt marketing activities for a new target segment varies extensively. Practitioners perceive the implementation of a segment-specific marketing program as a major challenge. Adaptations are often based on intuition and executed arbitrarily. Practitioners often do not know which possibilities to adapt a marketing program exist and do not systematically evaluate various adaptation options. The market segmentation literature does not reveal how companies actually adapt the various components of a marketing program. A few authors acknowledge that companies use different intensity levels when they adapt a marketing program for a new target

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59 Dibb (1999), pp. 107-108
60 Koch (2006), p. 44
62 Expert interview [14], anonymity guaranteed; expert interview [17], anonymity guaranteed
Koch (2006) claims that, in certain situations, a full adaptation of an existing marketing program is actually not suitable for the new target segment and that a partially adapted program can be more beneficial. However, the question regarding which determinants affect the appropriate intensity level that companies should adapt their marketing programs with remains unanswered. Previous research has insufficiently addressed the issue regarding how companies adapt a marketing program, has mostly neglected the varying intensity levels with which they are adapted and has not sufficiently investigated the factors that determine the appropriate adaptation intensity level. Hence, the second research goal pursued in this work involves an assessment of how companies adapt an existing marketing program for a new target segment, how they vary in their adaptation intensity and which factors determine the appropriate intensity levels.

**Research Goal 2:**

a) Assess how and to what degree companies can adapt an existing marketing program for a new target segment

b) Explore which factors determine the appropriate intensity levels of marketing program adaptations

Existing research does not consider distinctive new segment strategies and varying implementation approaches. The reasons to target a new market segment can be manifold. Companies may perceive the new target segment as a major driver of future business or simply recognize it as a small niche that extends the business marginally. The segments that a company can target may differ substantially and the resources available for such targeting efforts may be very limited or extremely high. Hence, companies may pursue different purposes with their targeting efforts and face different conditions in doing so.

The existing literature primarily focuses on general targeting strategies. Companies can follow an undifferentiated, differentiated, concentrated (niche) or micro (one-to-one, local) marketing strategy and can specify the marketing mix in accordance with the aggregation level of the targeted segment. These general targeting strategies consider the market coverage and segment portfolio on a more abstract level and do not account for specific segment strategies, do not acknowledge specific contingencies and only broadly consider distinctive implementation approaches. However, business reality provides evidence that various new segment strategies and various

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64 Koch (2006), p. 199
65 Koch (2006), pp. 200-201
implementation approaches can be successful.\textsuperscript{67} Hence, the third goal of this research is to develop a typology of new segment strategies and their respective, successful implementation approaches.

\textit{Research Goal 3: \ Create a typology of new segment strategies and their respective, successful implementation approaches}

Little is known about the general internal barriers and drivers that influence the implementation of a marketing program for a new target segment as such. Research arises that reveals why companies have difficulties in the implementation of the segmentation process. However, research findings that disclose why companies fail to implement a segment-specific marketing program remain scarce. Several authors suggest that the implementation of segment-specific marketing programs fail because of the sophisticated, complex and unworkable segmentation schemes and solutions.\textsuperscript{68} However, these contributions neglect the additional internal factors that can drive or impede the implementation. Dibb (2005) reveals that the translation of segmentation findings into marketing activities is impeded by a lack of personnel and insufficient expertise, as well as cultural, structural and managerial inflexibilities and constraints.\textsuperscript{69} Interestingly, only one study could be identified that investigates the drivers of segmentation success. Sausen (2006) provides evidence that a company’s assets and operational and structural capabilities positively influence the success of segmentation efforts.\textsuperscript{70} Previous research has investigated the internal factors that drive or impede the implementation of a marketing program for a new target segment only on a very abstract level. Hence, the fourth research goal involves the identification of the concrete internal barriers and drivers that affect the implementation of a segment-specific marketing program for a new target segment.

\textit{Research Goal 4: \ Identify the internal barriers and drivers that affect the implementation of a segment-specific marketing program for a new target segment}

\textit{Figure 1-3} provides an overview of the conceptual framework that guides this research. A marketing program must activate positive responses within the new target segment and must fulfill certain requirements to be successful (Research Goal 1). A company can fulfill these requirements with the adaptation of an existing marketing program. A company may have different options to adapt the marketing program with

\textsuperscript{67} Koch (2006), pp. 203-212
\textsuperscript{69} Dibb (2005), pp. 20-22
\textsuperscript{70} Sausen (2006), pp. 179-185
varying degrees of intensity (Research Goal 2a). The appropriate intensity level depends on specific determinants (Research Goal 2b). Based on the assumption that various marketing program implementation approaches can be successful, I expect that different marketing adaptations with varying degrees of adaptation intensity can succeed (Research Goal 3). The adaptation of the segment-specific marketing program may be negatively or positively influenced by a company’s internal implementation barriers and drivers (Research Goal 4).

Figure 1-3: Conceptual framework of this research

1.3 Methodology

1.3.1 Scientific Positioning

This research is based on Ulrich’s (1981) principles of applied business research and is reality-oriented with the scientific objective to create solutions for practice while maintaining scientific rigor and proposing theoretical contributions.71 Business science, and thus marketing science, is recognized as an applied social science.72 The starting point of scientific research in applied science is the problems occurring in practice.73 In this case, the research is based on the problems and challenges related to the implementation of a segment-specific marketing program and the difficulties that

71 Ulrich (1981), pp. 3-25
72 Ulrich (1984), p. 168
73 Ulrich (1984), p. 168
companies face when they approach and target a new market segment with a segment-specific marketing program.

Following Ulrich’s proposition that applied business research should not only verify relationships and contexts but also comprehend and interpret them, this research follows an inductive and interpretative approach.\textsuperscript{74} The contexts and relationships that influence the success of marketing programs for a new target segment are identified and interpreted while the complexity of social systems is acknowledged and it is accepted that total controllability cannot be achieved. Research is understood to be an iterative process.\textsuperscript{75} The purpose of this research is not to verify an existing theory but to explore reality iteratively, draw comparisons to existing theories and concepts and eventually derive recommendations and solutions to the identified problems in practice.\textsuperscript{76} In this way, practical knowledge is systematically accumulated, interpreted and translated into practical recommendations.\textsuperscript{77} Reality-oriented research is context-specific and practical recommendations are only valid for certain situations.\textsuperscript{78} It is accepted that no universally valid implications can be inferred but that situations and contexts can be presented in which specific problem solutions seem to be appropriate. This research tries to balance the generalization and individualization of findings. The research findings are related to the specific situations, contingencies and conditions that enable companies to implement the research findings in practice.\textsuperscript{79}

\subsection*{1.3.2 Research Process and Methods}

The research process chosen for this dissertation follows the principles and steps of reality-oriented research in applied sciences proposed by Ulrich (1981) (see Figure 1-4).\textsuperscript{80} The initial starting point is the identification of relevant problems in business reality (step 1), which are embedded in and described with suitable theories and management concepts (step 2). Following this, the research object is investigated in its applied context (step 3), deriving evaluation criteria as well as guidelines and models (step 4). These guidelines and models are, again, tested (step 5) to finally provide recommendations for theory and practice (step 6).

\begin{itemize}
\item \textsuperscript{74} Ulrich (1981), p. 21
\item \textsuperscript{75} Tomczak (1992), pp. 83-84
\item \textsuperscript{76} Tomczak (1992), p. 84
\item \textsuperscript{77} Punch (1998), pp. 27-28
\item \textsuperscript{78} Belz (1989), p. 9
\item \textsuperscript{79} Belz (1989), p. 9
\item \textsuperscript{80} Ulrich (1981), p. 20
\end{itemize}
The iterative research process demands input from practice on several research steps and claims methodological pluralism. The research methods chosen comprise the desk research of the secondary literature and the qualitative research methods of expert interviews and case study research. The application of qualitative research methods seems appropriate as marketing scientists claim that there is a ‘theory-reality gap’ in market segmentation research.\(^{82}\) Criticism emerges from the scientific literature. Some researchers complain that research in the field of market segmentation is of limited managerial usefulness and is too ‘far away’ from business reality.\(^{83}\) Although the available scientific literature on market segmentation is vast, it lacks contributions that deal with the implementation of a segment-specific marketing program.\(^{84}\) Additionally, segmentation literature is mostly based on common sense and anecdotal evidence: it lacks explorative and empirical findings.\(^{85}\) In the pursuit of knowledge progression, the researcher can follow three distinctive scientific objectives, namely:

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\(^{81}\) Adapted from Ulrich (1981), p. 20
\(^{82}\) Danneels (1996), pp. 36-37; Jenkins and McDonald (1997), p. 18; Sausen et al. (2005), pp. 151-152
\(^{83}\) Allenby et al. (2002), p. 234; Palmer and Millier (2004), p. 780
\(^{85}\) Födermayer and Diamantopoulos (2008b), p. 224; Jenkins and McDonald (1997), p. 20
(1) to describe/explain; (2) to explore/comprehend; and (3) to create. Scientific marketing research in the past has focused on the scientific objective of explanation, which Tomczak (1992) labeled as mainstream marketing research. In such research, the relevant theories are framed into a different context and their validity is tested. Existing knowledge is tested, verified and specified. This deductive approach, however, does not lead to knowledge progression. Knowledge progression is necessary in this research project, as the state of knowledge in the context of targeting new market segments is very little and it is not able to explain and solve the identified research problem. For these reasons, a reality-oriented, inductive and qualitative research approach is deemed to be the most adequate.

This research follows the reality-oriented research process and (1) describes the research problem; (2) explores the problem in its context; and (3) creates solutions for the problem.

1.3.2.1 Research Phase I: Description

In the beginning of this research project, the problem in question was identified and specified. Based on the starting point that market segmentation is a fundamental concept in theory and practice, I conducted expert interviews. The purpose of interviews was to reveal how companies undertake market segmentation, what their specific purpose for segmenting the market was and to explore the existence of the theory-reality gap described in market segmentation literature. A specific focus was set on the challenges that companies face with market segmentation in general and in targeting new market segments in particular. The units of analysis were companies undertaking segmentation efforts, no matter whether they had a business-to-consumer (B-to-C) or business-to-business (B-to-B) focus. I held 26 open, explorative phone interviews with marketing and sales professionals of organizations varying in size and industry (see Table 1-2). The heterogeneity of the sample should ensure rich insights and reveal whether the cross-industry practices and challenges resemble one another. I chose interview partners within a company in accordance with Gorden’s (1975) interview respondent criteria of availability, expertise and willingness. Interview partners were acquired by phone; they each received a description of the research project and the purpose of the interview. In order to increase willingness to participate,

86 Dyllick and Tomczak (2007), pp. 67-68
87 Levy (2005), pp. 341-347; Tomczak (1992), pp. 77-78
88 Dyllick and Tomczak (2007), pp. 76
89 Deshpandé (1983), pp. 105-107
90 Gorden (1975), pp. 195-196
I guaranteed the expert’s anonymity in publications. A semi-structured interview guideline was sent to the respondents in advance. The length of the interviews varied between 30 and 90 minutes. I took notes during the interviews and created interview minutes immediately after the interviews. Following Kvale (1996), I condensed the interview results into central themes and categorized them into main dimensions and sub-categories.

Table 1-2: Overview of expert sample – research phase I

<table>
<thead>
<tr>
<th>Number of Interviews</th>
<th>Number of Interview Partners</th>
<th>Experts’ Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>26</td>
<td>25</td>
<td>Chocolate &amp; confectionaries, beverages &amp; coffee, food, food retail, fashion &amp; accessories, sports fashion &amp; equipment, banking &amp; financial services, automobiles, electricity, cleaning equipment, stock exchange &amp; trading, pharmaceuticals, chemicals, plumbing and heating supplies, bathroom &amp; kitchen fittings, management consulting and advertising &amp; media planning</td>
</tr>
</tbody>
</table>

In addition to the expert interviews, desk research was employed to identify the research gaps and to deepen the understanding of the research problem. Scientific business and marketing journals served as a basis for the literature analysis.

1.3.2.2 Research Phase II: Exploration

In the second phase of the research process, I conducted another round of expert interviews in order to explore the research problem. The aim was to identify how companies implement a segment-specific marketing program for a new target segment, what concrete challenges they face in doing so and what specific factors determine and influence the program’s implementation and success. The unit of analysis was adapted and specified. The challenges and practices identified in the first research phase deviated between B-to-C and B-to-B companies. While B-to-C companies primarily face the challenge of implementing the marketing program, B-to-B companies have difficulties in carrying out segmentation. In addition, segmentation practices differed in the sense that many B-to-B companies segment the market in terms of product categories rather than customer groups, segment their customers individually and often only use segmentation findings to prioritize customers. Hence, I decided to solely focus on B-to-C companies. B-to-C companies are defined as companies that interact

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91 Refer to Appendix A for the list of expert interviews.
92 Refer to Appendix B and Appendix C for the project description and interview guideline that were sent to the interview partners.
with the end consumer or user of a product or service, view the end consumer or user as customer and use the end consumer or user as valuable input for the design of marketing activities.

The selection of experts was based on comprehensive research. Desk research was undertaken to identify B-to-C companies that have actively targeted a new market segment within the last 10 years. I scanned press releases and internet-based articles for announcements and indications that provided cues about companies’ efforts to target a new market segment. In addition, advertisements within all types of magazines and product introductions of companies were evaluated with the purpose of identifying companies that have targeted a new market segment. In total, I identified 61 cases of different companies that undoubtedly had targeted a new market segment. The contact details of the marketing directors and executives of these companies were identified. I contacted the prospects by phone and email and asked them to participate in my research. In order to increase their willingness to participate, I assured the respondents that they would receive a copy of the research results. Out of the 61 companies identified, executives of 18 companies agreed to participate. In addition to company representatives, experts who advise and provide consultancy services for companies were approached. In total, 10 additional experts who stem from general marketing consulting companies or who have profound marketing expertise for specific consumer groups, such as women, ethnic minorities or gay consumers, were interviewed, bringing the number of interview partners to 28 in the second research phase (see Table 1-3).94

Table 1-3: Overview of expert sample – research phase II

<table>
<thead>
<tr>
<th>Number of Interviews</th>
<th>Number of Interview Partners</th>
<th>Experts’ Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td>28</td>
<td>Frozen food, dairy products, tinned &amp; packaged vegetables, poultry meat and cold cuts, snack foods, performance enhancing nutrition, cleaning equipment, cookware, bathroom &amp; kitchen fittings, consumer electronics, consumer tools, perfume &amp; cosmetics, adult lifestyle products, car repair and supplies, banking and financial services, cruise travel, insurance and research and consulting.</td>
</tr>
</tbody>
</table>

Again, I evaluated the respondents according to the criteria proposed by Gorden (1975). The experts received a short description of the research project and the

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94 Refer to Appendix A for the list of expert interviews.
interview guidelines in advance of the interview.\textsuperscript{95} I conducted the semi-structured interviews by phone. The length of the interviews varied between 30 and 90 minutes. Upon agreement, the interviews were digitally taped and transcribed. The results were condensed and categorized. The results are reported in the form of statements, meanings and embedded mini case studies that reflect best practices as well as worst practices. In order to ensure validity, I sent the reported results to the interview partners, who checked their validity.

1.3.2.3 Research Phase III: Creation

In the third research phase, I structured the findings from the previous interviews and drew parallels with theory. In this way, I could identify the relevant dimensions and mechanisms that determine and influence the implementation of a segment-specific marketing program. A comparative, multiple case study design was chosen to further explore and explain similar and contrasting patterns in the implementation of a marketing program. Rich insights can be gained with case study research, especially when current perspectives lack empirical substance.\textsuperscript{96} Yin (2009) further advocates case study research when questions of ‘how’ and ‘why’ are posed within a real life context.\textsuperscript{97} Multiple case studies will help to identify variations and similarities among companies that target new market segments and allows context-specific conclusions to be drawn. According to Yin (2009), the comparison of multiple cases incorporates a replication logic that enables the validation of findings.\textsuperscript{98}

Based on the expert interviews I held in research phase II, I selected six cases. The selection was determined by two criteria. First, the companies had to have successfully implemented a marketing program for a new target segment within the last 10 years. Second, the companies had to have faced different contingencies and chosen different implementation approaches. The case study findings were drawn from a third round of expert interviews I held with the representatives of the companies. One case study is derived from secondary data.\textsuperscript{99} Table 1-4 provides an overview of the selected case studies.

\textsuperscript{95} Refer to Appendix D and Appendix E for the project description and interview guideline that were sent to the interview partners.

\textsuperscript{96} Eisenhardt (1989), p. 548

\textsuperscript{97} Yin (2009), p. 2

\textsuperscript{98} Yin (2009), p. 54

\textsuperscript{99} Refer to Appendix A for the list of expert interviews.
I conducted phone interviews with the company representatives, following a highly structured interview guide that was sent to the interview partners in advance of the interviews. The interview lengths varied between 30 and 120 minutes. The interviews were digitally taped and transcribed. The findings were condensed, categorized and supplemented by findings from the second research phase. Please refer to Table 1-5 for the measures undertaken to increase the validity and reliability of the case study research.

Table 1-5: Tactics applied to increase validity and reliability

<table>
<thead>
<tr>
<th>Tests</th>
<th>Utilized Case Study Tactic</th>
</tr>
</thead>
</table>
| Construct validity         | - Use of multiple case studies
|                            | - Data triangulation: the open-ended interview was supplemented by structured interview to verify findings
|                            | - Review of case study reports by interview partners to avoid interviewer bias and misunderstandings |
| Internal validity          | - Research framework guided interviews and data analysis
|                            | - Pattern matching by comparing empirically derived patterns with expected ones |
| External validity          | - Findings from second research phase were verified in third research phase
|                            | - Use of replication logic by means of sequential multiple case studies |
| Reliability                | - Use of interview guides
|                            | - Use of interview protocols and transcripts
|                            | - Development of database, allowing categorization to be retraced |

100 Refer to Appendix F for the interview guideline that was sent to the interview partners.
101 Criteria is based on Yin (2009), pp. 41-45
1.4 Terms and Definitions

Subsequently, the terms and definitions of the main concepts used and applied in this research are briefly introduced to increase their comprehensibility.

1.4.1 Market Segmentation and Market Segmentation Process

Market segmentation is the creative process that enables both the development and the implementation of a targeted marketing strategy with the purpose to better satisfy customers’ needs, create better value for customers and to achieve a competitive advantage.\textsuperscript{106} The overall benefit of market segmentation incorporates the identification of differences between and similarities within groups of customers, enabling companies to identify and serve specific groups of customers effectively and efficiently.\textsuperscript{107} The market segmentation process involves dividing a market into segments by selecting segmentation criteria, identifying segments and profiling them. It further involves the evaluation and selection of one or more segments that should be actively targeted. Based on the insights derived from the segmentation process, marketing programs are implemented for the selected segments. Eventually, the segmentation scheme, as well as the implemented marketing activities, should be monitored. The segmentation process can be executed sequentially or may be an ongoing trial-and-error cycle reflecting continuous experimentation, learning and adaptation.\textsuperscript{108,109}

1.4.2 Market Segments and Target Segments

A market segment is a group of consumers that share certain characteristics, attitudes, behaviors, requirements or needs that differentiate the segment from other segments within the market.\textsuperscript{110} Consumers within a market segment should have similar demand patterns and respond similarly to marketing activities.\textsuperscript{111} A target segment is a market segment that has been selected by a company to be actively and distinctively

\begin{itemize}
\item Construct validity is concerned with the identification of correct operational measures of the concepts being studied. See Yin (2009), p. 40
\item Internal validity refers to the validity of inferred causal relationships. See Yin (2009), p. 40
\item External validity refers to the generalisability of the findings. See Yin (2009), p. 40
\item Reliability refers to the reproducibility of the results. See Yin (2009), p. 40
\item McDonald and Dunbar (2007), p. 10
\item Danneels (1996), p. 47-49
\item Please refer to Section 2.1 and Section 2.2 for the reasoning of the definition and more details.
\item Dickson and Ginter (1987), p. 4; Wedel and Kamakura (2000), p. 3
\end{itemize}
approached with specific marketing activities. In this work, the differentiation between existing, traditionally served target segments and new target segments is important. While an existing, traditionally served target segment is a market segment that has been targeted by the company for a certain time and is ‘known to the company’; a new target segment is a market segment that a company has just recently started or is in the process of actively targeting and is ‘new to the company’. A new target segment must differentiate itself from an existing target segment in at least one segment characteristic.\footnote{Koch (2006), p. 133} According to Koch (2006), three different types of new target segments exist: it could be totally autonomous from an existing segment, could partly overlap with an existing segment or it could be concretized within an existing segment (see Figure 1-5).\footnote{Koch (2006), pp. 133-134} Hence, a new target segment can totally differ from an existing target segment, can partly differ from an existing target segment or can be more concrete and specific than an existing target segment.

**Figure 1-5: Definition of new target segments**\footnote{Koch (2006), p. 134}

![Diagram showing different types of new target segments](image)

### 1.4.3 Segmentation Implementation and Marketing Program

This research defines segmentation implementation as the act of implementing a marketing program. The implementation of a marketing program covers the execution of all relevant marketing decisions around an offering targeted to a market segment, including how to brand, position and price the offering, which products and services to include in the offering and how to distribute and communicate the offering. A marketing program therefore consists of: branding, positioning, pricing, product and services, distribution and communication.\footnote{Please refer to Section 2.2.1.4 and Section 2.3 for the reasoning of the definition and more details.}

\footnote{Koch (2006), p. 133}
\footnote{Koch (2006), pp. 133-134}
\footnote{Koch (2006), p. 134}
\footnote{Please refer to Section 2.2.1.4 and Section 2.3 for the reasoning of the definition and more details.}
1.4.4 Adaptation Intensity

Adaptation intensity describes the extent to which an existing marketing program is adapted for a new target segment. The concept of adaptation intensity consists of horizontal and vertical adaptation intensity. Horizontal adaptation intensity describes the degree of adaptation intensity within one component of a segment-specific marketing program. Vertical adaptation intensity describes the degree of adaptation intensity with respect to the number and hierarchical order of adapted marketing program components. Vertical adaptation intensity increases with the amount and hierarchical order of the horizontally adapted components of a marketing program.116

1.5 Structure of the Dissertation

In Chapter 1, the topic of the dissertation was introduced by presenting the background and problem formulation of the thesis, concluding that companies face severe difficulties in the implementation of marketing programs for new target segments. Based on the central research question (‘How can companies successfully implement a segment-specific marketing program for a new target segment?’), the research’s deficiencies were identified and the research goals were formulated in order to answer the central research question. Furthermore, I described the methodology, including the scientific positioning, research process, methods and phases, and provided an overview of the terms and definitions of the most important concepts of this work.

Chapter 2 provides the theoretical background and introduces the concept of market segmentation, the market segmentation process and market segmentation activities. The purpose of this part is to clarify and embed the implementation of a segment-specific marketing program within the concept of market segmentation. The second part of the chapter reviews general marketing theory and specific marketing streams to present an overview of the components of marketing programs and the adaptation possibilities of the components.

I present the requirements of a marketing program for a new target segment in Chapter 3. The requirements are based on the findings that I drew from expert interviews. The findings are backed up by insights from scientific marketing literature and are illustrated with examples.

116 Please refer to Section 2.3 for the reasoning of the definition and more details.
In Chapter 4, I demonstrate how companies adapt the different components of a marketing program. The findings stem from the expert interviews that I held. In the first part of the chapter, I describe how the characteristics of a new target segment influence the intensity with which a company needs to adapt an existing marketing program for a new target segment. I then explore how companies adapt the individual components of a marketing program. More specifically, I introduce various adaptation options within the individual components of a marketing program and provide conclusions regarding the situations in which the various options are most effective.

In Chapter 5, I introduce how a company’s existing target segment may affect the adaptation of a marketing program for a new target segment. Potential interaction effects between a new and an existing target segment can also influence the intensity with which a company should adapt the components of a marketing program. I draw conclusions and reveal how companies can either avoid or enforce interaction effects between new segments by marketing program adaptations with different intensity levels.

In Chapter 6, I integrate the findings of the preceding chapters. I investigate how companies adapt the different components of a marketing program and explore different, successful patterns of marketing program adaptations. I present a typology of the different strategies that a company can pursue when it targets a new market segment and propose an appropriate adaptation pattern of the marketing program. The typology is created on the basis of six different case studies.

Chapter 7 reveals the internal barriers and drivers that may either negatively or positively influence the implementation of the marketing program for the new target segment.

Chapter 8 commences by summarizing the results of this research, followed by presentation of the practical implications and the theoretical contributions of this work. The limitations of the research are revealed and potential avenues for further research are suggested. Figure 1-6 depicts the structure of the dissertation.
**Figure 1-6: Structure of the dissertation**

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction</td>
<td>1-26</td>
</tr>
<tr>
<td></td>
<td>Background, Problem Formulation, Research Gaps and Goals, Methodology, Terms and Definitions</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Theoretical Background</td>
<td>27-65</td>
</tr>
<tr>
<td>3</td>
<td>Requirements of a Marketing Program for a New Target Segment</td>
<td>66-89</td>
</tr>
<tr>
<td></td>
<td>Awareness, Availability, Perceived Advantage, Credibility</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>The Adaptation of Marketing Program Components</td>
<td>90-118</td>
</tr>
<tr>
<td></td>
<td>Determinant of Adaptation Intensity, Adaptation Options</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Segment Interaction Effects and Marketing Program Adaptation</td>
<td>118-128</td>
</tr>
<tr>
<td></td>
<td>Spillover Effects, Cannibalization Effects</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Typology of Successful New Segment Strategies</td>
<td>128-161</td>
</tr>
<tr>
<td></td>
<td>Dimensions of the Typology, Case Studies</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Internal Implementation Barriers and Drivers</td>
<td>162-196</td>
</tr>
<tr>
<td></td>
<td>Employees, Culture, Organization, Management and Leadership</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Conclusions</td>
<td>197-226</td>
</tr>
<tr>
<td></td>
<td>Summary of Results, Practical Implications, Theoretical Contributions, Limitations, Future Research</td>
<td></td>
</tr>
</tbody>
</table>
2 Theoretical Background

As previously emphasized, no comprehensive, theoretical framework exists that guides companies in the implementation of a segment-specific marketing program for a new target segment. Market segmentation is the underlying process suggested by marketing literature that guides companies in identifying, evaluating, selecting and effectively serving potential target segments. The concept of market segmentation, the market segmentation process and market segmentation activities are reviewed in the following section to clarify and embed the implementation of a segment-specific marketing program within the concept and process of market segmentation. While the focus of this research is clearly the implementation of a segment-specific marketing program, it is deemed necessary to show the interdependencies with other market segmentation activities and to set the research topic in its context.

The research in the market segmentation literature provides guidance on how to identify, select and evaluate a potential target segment, but contributions that provide guidance on how to adapt and direct a segment-specific marketing program to a target segment barely exist. For this reason, the second part of this chapter reviews general marketing theories and specific marketing streams to present an overview of the components of a segment-specific marketing program. The aim is to review the literature and identify an array of the possible components of a marketing program that can be adapted for the newly targeted market segment.

2.1 Market Segmentation

An essential characteristic of market and customer-oriented management is the premise to set the customer with its needs and wishes as a basis for corporate decision-making.\(^\text{117}\) The targeted and differentiated marketing approach follows this premise by considering and acknowledging differences among buyers in the marketplace.\(^\text{118}\) The underlying concept of a targeted marketing approach is market segmentation. Market segmentation enables a company to identify segments of customers with similar demand sets and to align its marketing efforts towards these requirements.\(^\text{119}\) Distinctive and segment-specific marketing activities enable companies to maximize the value for the customer and increase the willingness of the

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\(^{117}\) Meffert (2000), pp. 7-11

\(^{118}\) Belz (1995), p. 12

customer to pay for the product or service.\textsuperscript{120} Market segmentation is recognized as one of the most fundamental concepts in marketing, as it increases marketing performance and can lead to a competitive advantage.\textsuperscript{121} With respect to a company’s efforts in pursuing new target segment potential, market segmentation enables a company to identify, evaluate, select and effectively serve potential target segments.\textsuperscript{122}

During the last few decades, research in the field of market segmentation has been extensive. The concept of market segmentation has received great attention within the scientific marketing community. Defining the term ‘\textit{market segmentation}’ is not easy, as both the term and its underlying concept have evolved over time.\textsuperscript{123} It has been defined as a strategy, a market condition, a research technique and has evolved to a process linking a differentiated strategy with its implementation. Originally defined as an alternative marketing strategy to product differentiation, Smith (1956) defined it as the adjustment of product and marketing efforts based on multiple demand curves in the market.\textsuperscript{124} In this sense, market segmentation can be described as a market condition in which different demand curves exist and as a strategy that acknowledges the differences between demand curves and directs marketing activities accordingly. As computational capacities progressed, market segmentation became defined as a research technique that enables companies to analyze a market and derive segments with newly introduced statistical methods and a vast amount of market data.

In recent publications, market segmentation is described as a disaggregative, rational and sequential process that enables companies to analyze markets and plan marketing activities.\textsuperscript{125} Market segmentation is defined as a process that subdivides a heterogeneous market into distinct subsets of homogeneous segments of customers who share certain characteristics, attitudes, needs or behaviors. Each segment can conceivably be selected as a target segment and reached with a segment-tailored marketing mix.\textsuperscript{126} Research and analysis still play a major role in the concept of market segmentation; however, market segmentation is a process that goes past data collection and data analysis. It guides managerial decision-making and the implementation of strategic actions.\textsuperscript{127} In this way, market segmentation can be seen as

\begin{flushleft}
\textsuperscript{120} Sausen and Tomczak (2003), p. 2  \\
\textsuperscript{122} Belz (1995), pp. 9-10  \\
\textsuperscript{123} Plank (1985), p. 80  \\
\textsuperscript{124} Smith (1956), p. 5  \\
\textsuperscript{125} Bennett (1995), p. 165  \\
\textsuperscript{127} Allenby et al. (2002), p. 234
\end{flushleft}
an iterative and creative process that enables both the development and the implementation of a targeted marketing strategy, with the aim to better satisfy customers’ needs, create better value for customers and to achieve a competitive advantage.\textsuperscript{128}

2.2 The Market Segmentation Process

The process-oriented view of market segmentation encompasses the stages from market analysis up to the implementation of segment-specific marketing activities. In the marketing literature, Kotler’s ‘\textit{STP model}’ prevails. It divides the market segmentation process into three distinct phases: segmentation, targeting and positioning.\textsuperscript{129} A two-phase model with information-based and action-based phases of market segmentation is often utilized in the German scientific literature.\textsuperscript{130} Goller et al. (2002) suggest a four stage process model of market segmentation that includes the stages of: segmentation analysis, evaluation of segmentation, implementation of segmentation and control of segmentation.\textsuperscript{131} These process models are not distinguished from each other in terms of content but rather the number of steps into which the activities are divided. It should be noted, however, that Goller et al. (2002) explicitly incorporate a control phase in their process model. Figure 2-1 depicts the different process models.

The first stage in all process models incorporates the selection of segmentation criteria, the information collection and the application of statistical methods to form and describe segments. Following this, the feasibility of derived segments should be checked, the potential of the segments should be evaluated and one or more target segments should be selected. Positioning alternatives for the selected segments should be created and adequate marketing mix combinations implemented. After the implementation of the segment-specific marketing program, the stability of the segmentation scheme should be monitored and the performance of the implemented marketing program should be evaluated.

\begin{itemize}
\item \textsuperscript{128} McDonald and Dunbar (2007), p. 10
\item \textsuperscript{129} Kotler and Bliemel (2001), pp. 415-416
\item \textsuperscript{130} Meffert (2000), p. 184
\item \textsuperscript{131} Goller et al. (2002), p. 257
\end{itemize}
The process-oriented concepts describe market segmentation as an iterative and rational process involving various sequential stages in which certain decisions need to be taken or activities need to be executed. Despite the efforts of academics to structure approaches to market segmentation, the STP process “[…] is often not applied in a planned manner in companies.” The ‘STP model’, representing the normative segmentation process, is sometimes not able to comprehensively depict reality. Danneels (1996) investigated the market segmentation practices of Belgian fashion retailers and found out that the ‘STP model’, with its linear, unidirectional process, misrepresents the actual approach of market segmentation. Instead, market segmentation is rather an ongoing trial-and-error cycle reflecting continuous experimentation, learning and adaptation. Following Danneels’ (1996) findings, the sequence and order of activities in market segmentation do not necessarily need to follow the normative process models of market segmentation. This view corresponds with findings drawn from expert interviews. Various experts state that activities, such as the identification of an attractive target segment and the creation of a segment

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133 Kesting and Rennhak (2008), p. 11
offering, often run parallel.\textsuperscript{135} Sometimes companies might even first develop a product then find a suitable target segment and empirically test whether the target segment actually exists.\textsuperscript{136} Following this procedure, the ‘\textit{STP process}’ is reversed into a ‘\textit{PTS process}’. This research follows the idea that market segmentation may not necessarily need to follow a normative process. In the following section, various market segmentation activities are described in the order of the normative process models.

2.2.1 Market Segmentation Activities

The activities associated with market segmentation and derived from process typologies (see Figure 2-1) involve:

- the choice of segmentation criteria on which to base the groupings of segments
- the identification of market segments
- the evaluation of market segments and the selection of target segment(s)
- the implementation of a segment-specific marketing program
- the monitoring and evaluation of segmentation efforts

2.2.1.1 The Choice of Segmentation Bases

Companies that pursue the idea of targeting a new market segment need to decide on which basis to define market segments. Segmentation bases are a set of variables employed to assign customers to segments. Customers are aggregated according to the segmentation base, enabling a company to structure a partitioned market into homogeneous segments.\textsuperscript{137} The aim is to derive segments that respond similarly to marketing stimuli. The choice of segmentation base should be founded on the purpose of the segmentation.\textsuperscript{138}

Marketing literature suggests a variety of segmentation bases that can be employed in a B-to-C context.\textsuperscript{139} They comprise:

- geographics (e.g. region, city and neighborhood)
- demographics (e.g. age, gender and ethnicity)
- socio-demographics/economics (e.g. income and social status)

\textsuperscript{135} Expert interview [45], Iglo (Erler)
\textsuperscript{136} Expert interview [46], Fissler (Loges)
\textsuperscript{137} Dibb (1995); Födermayr and Diamantopoulos (2008b), p. 249; Steenkamp and Ter Hofstede (2002), p. 196
\textsuperscript{138} Wedel and Kamakura (2000), p. 5
- psychographics (e.g. general values, lifestyle and personality)
- product-specific psychographics (motives and attitudes)
- behavioral bases (e.g. usage situation, usage frequency, loyalty, patronage, preferences, intentions, projected customer lifetime value)
- needs, motivations and benefits sought

Wedel and Kamakura (2000) distinguish these segmentation bases in observable and unobservable bases, as well as in general and product-specific bases. Observable bases can be directly measured, whereas unobservable bases are inferred. General bases are independent of products, services or circumstances, whereas product-specific bases relate to both the customer and the product. Figure 2-2 depicts the categorization of segmentation bases provided by Wedel and Kamakura (2000).

**Figure 2-2: Categorization of segmentation bases**

<table>
<thead>
<tr>
<th>General</th>
<th>Product-specific</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Observable</strong></td>
<td><strong>Unobservable</strong></td>
</tr>
<tr>
<td>- Geographics</td>
<td>- Psychographics</td>
</tr>
<tr>
<td>- Demographics</td>
<td>- Behavioral bases</td>
</tr>
<tr>
<td>- Socio-economics</td>
<td>- Product-specific psychographics</td>
</tr>
<tr>
<td></td>
<td>- Needs, motivations, benefits</td>
</tr>
</tbody>
</table>

Based on the purpose of segmentation, a company needs to select a suitable base or a combination of bases. Marketing literature suggests several criteria with which to assess the adequacy and quality of segmentation bases. The criteria entail:

- ‘Identifiability’ (i.e. the extent to which and the ease with which the segmentation base helps to identify segment members)
- ‘Accessibility’ (i.e. the degree to which the segmentation base enables the segment member to be reached with communication and distribution channels)

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141 Adapted from Wedel and Kamakura (2000), p. 7
- ‘Substantiability’ (i.e. the degree to which the segmentation base provides cues about the segment’s size and profitability)
- ‘Stability’ (i.e. the degree to which the segment base ensures stability in the behavior and characteristics of segment members)
- ‘Responsiveness’ (i.e. the degree to which the segmentation base is able to reflect the homogenous response of segment members to marketing stimuli)
- ‘Actionability’ (i.e. the degree to which the segmentation base provides guidance for effective marketing instrument adaptation and development)

The evaluation of segmentation bases along these criteria is illustrated in Figure 2-3. General observable segmentation bases (i.e. geographics, demographics and socio-economics) are easily obtainable via the usual market research methods, reveal how to reach the segment, provide hints about the substantiability of the segment and are relatively stable. However, these bases do not guarantee a homogenous response to marketing stimuli and do not supply substantial guidance for marketers regarding how to create the marketing program for a specific market segment.

Figure 2-3: Comparative evaluation of segmentation bases

<table>
<thead>
<tr>
<th>Segmentation Base Group</th>
<th>Identifiability</th>
<th>Accessibility</th>
<th>Substantiability</th>
<th>Stability</th>
<th>Responsiveness</th>
<th>Actionability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographics</td>
<td>High</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Demographics</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Socio-demographics/economics</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Behavioral bases</td>
<td>Medium</td>
<td>Low</td>
<td>High</td>
<td>Medium</td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>General Psychographics</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Product-specific Psychographics</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Needs/benefits</td>
<td>High</td>
<td>Low</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

Adapted from Freter (2008), p 190; Wedel and Kamakura (2000), pp. 16
In contrast, product-specific psychographics and benefits perform strongly with respect to the criteria of responsiveness and actionability, while behavioral bases achieve good evaluations in the criteria of substantiability and responsiveness. A paradox is quite obvious: segmentation bases that perform strongly in the criteria of accessibility usually perform weakly in the criteria of responsiveness, as well as actionability, and vice versa. These are the criteria that are particularly important for the implementation of a segment-specific marketing program. It is therefore suggested to employ a combination of bases.\textsuperscript{144} Freter (2008) recommends the use of bases that perform strongly with respect to responsiveness and actionability to build the segment and the use of passive, descriptive bases that perform well in the remaining criteria to profile the derived segments.\textsuperscript{145} It must be noted, however, that complex and multidimensional segmentation studies often do not work in practice.\textsuperscript{146}

Reviewing empirical evidence with respect to the employment of segmentation bases in practice reveals a widespread use of geographic, demographic and socio-demographic segmentation (see Table 2-1). Practitioners claim that the results of a market segmentation study should primarily help to define relevant marketing mix activities.\textsuperscript{147} These criteria, as stated above, are not beneficial in the creation of a segment-specific marketing program. Product-specific variables, such as product-specific psychographics, needs and benefits, are considered to be the most effective for marketing mix developments.\textsuperscript{148} Despite their importance in the creation of a segment-specific marketing program, these variables are only utilized by about half or even less of the companies in most reviewed studies, although consumer goods companies seem to be an exception to this. Sausen and Tomczack (2003) investigated the usage of segmentation bases in Switzerland. Their findings reveal that 79 percent of the investigated consumer goods companies use product-related psychographics.\textsuperscript{149}

\textsuperscript{145} Freter (2008), p. 190
\textsuperscript{146} Belz (1995), p. 16
\textsuperscript{147} Sausen and Tomczak (2003), pp. 6-7
\textsuperscript{148} Wedel and Kamakura (2000), p. 16
\textsuperscript{149} Sausen and Tomczak (2003), p. 5
Table 2-1: Empirical investigations of segmentation base usage

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Context</th>
<th>Main Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Badgett and Stone (2005)</td>
<td>Investigation of segmentation practices in consumer companies (B2C). One examined area included the use of segmentation bases. Sample consisted of 122 companies, the majority of which were based in the USA.</td>
<td>Demographic and need-based segmentation bases prevail</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Usage of segmentation bases. Percentage of companies applying the base in brackets:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Demographic (77%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Need-based (66%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Profitability/value (63%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Behavioral (37%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Life-stage (34%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Occasion-based (21%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Attitudinal (20%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Other (1%)</td>
</tr>
<tr>
<td>Cross et al., (1990)</td>
<td>Investigation of segmentation practices in consumer and industrial companies (B2C; B2B). One examined area included the usage of segmentation bases. Sample consisted of 32 consumer goods, industrial and service companies in the USA.</td>
<td>Utilization of simple segmentation bases, i.e. demographics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>B2C companies use simple criteria, such as demographics (82%). Less than half of the companies utilize behavioral or psychographic bases.</td>
</tr>
<tr>
<td>Kesting and Rennhak (2008)</td>
<td>Investigation of segmentation practices in consumer companies (B2C). One examined area included the use of segmentation bases. Sample consisted of 55 German companies.</td>
<td>Utilization of simple segmentation bases, i.e. Socio-demographics and geographics</td>
</tr>
<tr>
<td>Sausen and Tomczak (2003)</td>
<td>Investigation of segmentation practices in consumer goods, services and retail companies (B2C). Examined areas included the perceived relevance and use of segmentation bases. Sample consisted of 62 Swiss companies.</td>
<td>Consumer goods companies often employ product-related psychographics, while service companies and retailers tend to use behavioral bases</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Usage of segmentation bases. Percentage of companies applying the base in brackets:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Geographics (69%); (79%); (58%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Behavioral (56%); (64%); (58%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Socio-demographics (54%); (73%); (33%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Product-related psychographics (52%); (79%); (33%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Social class (42%); (38%); (25%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- General psychographics (36%); (29%); (8%)</td>
</tr>
</tbody>
</table>

2.2.1.2 The Identification of Segments

A company that wants to target a new market segment also needs to decide how to group potential customers according to specified segmentation bases. Market
segmentation literature suggests numerous statistical methods to exercise the grouping tasks which can be classified into *a-priori* and *post-hoc* methods as well as into descriptive and prescriptive methods. *Figure 2-4* provides an overview of the various methods.\textsuperscript{150}

In *a-priori* descriptive segmentation methods, the type and number of segments is defined before data is collected.\textsuperscript{151} Customers are distinguished according to observable bases, such as demographics or behavioral bases.\textsuperscript{152} *A-priori* segments are determined on prior judgment, experience or available secondary data.\textsuperscript{153} Multiple segmentation bases can be used to form the segments and the segments obtained from each of these criteria are assessed by looking at the associations between groupings arising from alternative bases.\textsuperscript{154} In the consumer foods industry, the bases of needs and consumption situations/occasions are often predetermined and then associations are statistically derived. *A-priori* descriptive methods include cross-tabulation, contingency tables and log-linear models.\textsuperscript{155}

*Figure 2-4: Segmentation methods*\textsuperscript{156}

<table>
<thead>
<tr>
<th><strong>A-priori</strong></th>
<th><strong>Post-hoc</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>descriptive</td>
<td></td>
</tr>
<tr>
<td>- Cross-tabulation</td>
<td>- Clustering methods</td>
</tr>
<tr>
<td>- Contingency tables</td>
<td>- Factor analysis</td>
</tr>
<tr>
<td>- Log-linear models</td>
<td>- Artificial neural networks (self-organizing maps)</td>
</tr>
<tr>
<td></td>
<td>- Finite mixture models</td>
</tr>
<tr>
<td></td>
<td>- Multidimensional scaling</td>
</tr>
<tr>
<td>prescriptive</td>
<td></td>
</tr>
<tr>
<td>- Regression analysis</td>
<td>- Classification and regression trees</td>
</tr>
<tr>
<td>- Logit models</td>
<td>- Clusterwise regression</td>
</tr>
<tr>
<td>- Discriminant analysis</td>
<td>- Artificial neural networks (multi-layer-perceptron)</td>
</tr>
<tr>
<td>- Conjoint analysis</td>
<td>- Finite mixture model</td>
</tr>
<tr>
<td>- Artificial neural networks (multi-layer-perceptron)</td>
<td></td>
</tr>
</tbody>
</table>

In *post-hoc* descriptive methods, the number and type of segments is based on the results of data analyses. Segments are identified by forming groups of customers that

\textsuperscript{150} Wedel and Kamakura (2000), p. 17
\textsuperscript{151} Wedel and Kamakura (2000), p. 18
\textsuperscript{152} Freter (2008), p. 197
\textsuperscript{153} Födermayr and Diamantopoulos (2008b), p. 252
\textsuperscript{154} Wedel and Kamakura (2000), p. 18
\textsuperscript{155} Green et al. (1976), p. 170; Wedel and Kamakura (2000), p. 18
\textsuperscript{156} Adapted from Freter (2008), p. 197
are homogenous according to a set of characteristics.\textsuperscript{157} Wedel and Kamakura (2000) state that lifestyle segmentation often derives from the collection of demographic and psychographic consumer information.\textsuperscript{158} Consumers are clustered according to their similarities in values, activities, interests and opinions. Besides clustering methods and factor analysis, \textit{post-hoc} descriptive methods also comprise artificial neural networks, finite mixture models and multi-dimensional scaling.\textsuperscript{159}

\textit{A-priori} predictive methods necessitate the formation of \textit{a-priori} descriptive segments on the basis of one set of criteria and the subsequent usage of predictive models to describe the relationship between segment membership and independent variables. Prescriptive methods group customers into segments based on the relationship between dependent variables, such as preferences or usage rates, and independent variables, such as socio-demographics and psychographics.\textsuperscript{160} Regression analysis, logit models, discriminant analysis, neural networks and conjoint analysis all enable \textit{a-priori} predictive segment identification.\textsuperscript{161}

In \textit{post-hoc} predictive methods, segments are identified according to the relationship between a dependent variable and a set of predictors. According to Födermayr and Diamantopoulos (2008b), \textit{post-hoc} predictive methods provide “[…] the most powerful algorithms for market segmentation as it allows simultaneous prediction and classification.”\textsuperscript{162} \textit{Post-hoc} predictive methods encompass classification and regression trees, clusterwise regression, artificial neural networks and finite mixture models.\textsuperscript{163}

Although scientific literature is pervasive in the field of segmentation methods, empirical investigations concerning the usage of methods are scarce (see Table 2-2). Companies still rely on descriptive methods, such as cluster and factor analysis\textsuperscript{164}; powerful \textit{post-hoc} predictive methods are rarely applied. These methods require expertise, knowledge and time resources that managers often do not possess.\textsuperscript{165} Nevertheless, Verhoef et al. (2003) discovered that companies utilize \textit{a-priori} predictive methods, such as RFM analysis and linear regression analysis.\textsuperscript{166} However, it must be noted that Verhoef et al. (2003) investigated companies that explicitly apply database marketing and can therefore be perceived as experts in statistical analysis.

\textsuperscript{157} Freter (2008), p. 198
\textsuperscript{158} Wedel and Kamakura (2000), p. 18
\textsuperscript{159} Freter (2008), p. 197; Punj and Stewart (1983), p. 135
\textsuperscript{160} Wedel and Kamakura (2000), pp. 22-23
\textsuperscript{161} Freter (2008), p. 197
\textsuperscript{162} Födermayr and Diamantopoulos (2008b), p.252
\textsuperscript{163} Freter (2008), p. 197
\textsuperscript{164} Kesting and Rennhak (2008), p.102
\textsuperscript{165} Verhoef et al. (2003), p. 478
\textsuperscript{166} Verhoef et al. (2003), p. 475
The fact that one third of the companies investigated by Verhoef et al. (2003) did not apply statistical analysis indicates that many companies often intuitively build segments.

Table 2-2: Empirical investigations of segmentation methods usage

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Context</th>
<th>Main Findings</th>
</tr>
</thead>
</table>
| Kesting and Rennhak (2008) | Investigation of segmentation practices in consumer companies (B2C). One examined area included the use of segmentation methods. Sample consisted of 57 German companies. | Cluster and factor analysis are the most utilized methods. Other multivariate segmentation methods are rarely applied Usage of segmentation methods. Percentage of utilization in brackets:  
  - Cluster analysis (59.7%)  
  - Factor analysis (49.1%)  
  - Multi-dimensional scaling (22.8%)  
  - Conjoint analysis (22.8%)  
  - Cross-tabulations (15.8%)  
  - Discriminant analysis (14%)  
  - Neural networks (5.3%) |
| Verhoef et al. (2003)      | Investigation of segmentation method usage for direct marketing purposes in consumer companies (B2C). One examined area included the use of segmentation methods. Sample consisted of 155 Dutch companies executing database marketing. | RFM analysis and cross-tabulations are the most utilized segmentation methods for direct marketing purposes. Many companies rely on managers' intuition Usage of segmentation methods. Percentage of utilization in brackets:  
  - Cross-tabulations (58.7%)  
  - RFM (40.0%)  
  - Linear regression analysis (33.5%)  
  - Cluster analysis (31.6%)  
  - Factor analysis (18.7%)  
  - CHAID, CART (17.4%)  
  - Discriminant analysis (13.5%)  
  - Logit-probit analysis (4.5%)  
  - Neural networks (3.9%)  
  - Genetic algorithms (3.2%)  
  - No statistical methods utilized (30.6%) |

2.2.1.3 The Evaluation of Segments and the Selection of Target Segment(s)

By segmenting a heterogeneous market into homogenous customer groups, a company obtains multiple alternatives for action. It can target an additional new market segment, focus on existing target segments or even divest an existing target segment.167 A company that decides to target a new market segment needs to evaluate the attractiveness of potential target segments and select one or more target segments. The dominating assessment and selection criterion suggested in the literature is the segment’s economical attractiveness, composed of a segment’s size and potential.168

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167 Koch (2006), p. 35
168 Kotler (2003), p. 299
The current segment volume and the future potential segment volume should be taken into consideration.\textsuperscript{169} In addition, authors often refer to the competitive intensity within the segment as an attractiveness parameter.\textsuperscript{170} Low competitive intensity and low segment barriers increase the attractiveness of a segment. In this context, Koch (2006) refers to the structural attractiveness of a segment.\textsuperscript{171} Piercy and Morgan (1993) argue that companies should not only examine marketplace criteria but they also need to take internal organizational criteria into consideration.\textsuperscript{172} More specifically, they claim to evaluate the internal capability to serve segments and to investigate whether structures and processes support a company to serve the segment effectively.\textsuperscript{173} In addition, targeting efforts should be compatible with the companies’ vision, strategies and objectives.\textsuperscript{174} Koch (2006) explicitly emphasizes that companies should take a holistic view when they analyze the attractiveness of market segments.\textsuperscript{175} Newly targeted market segments can have positive or negative spillover effects on the brand perception of existing customers; he refers to a target segment’s ‘spillover potential’. Marketing activities directed to a new target segment may have negative effects on existing customers.\textsuperscript{176} Kotler (2003) states that a company should concentrate its targeting efforts on the segments for which superior value can be delivered.\textsuperscript{177} The consideration of a company’s capability to serve a segment, spillover effects and the ability to provide superior value are important in the context of this research. These factors heavily determine the implementation and success of targeting efforts directed at a new target segment. The selection of a target segment influences how and to what degree a company must adapt a marketing program.

According to the reviewed literature (see Table 2-3), companies mostly utilize financial marketplace criteria, such as a segment’s sales volume, size and profitability, to evaluate the attractiveness of a market segment. Companies also use internal organizational criteria, such as compatibility with resources and objectives and the fit with business strategy. In addition, criteria such as the ease of access to the segment, the ability and possibility to offer a differentiated product and the ability to provide an added value to the segment also play key roles in the selection of a target segment.

\textsuperscript{169} Koch (2006), p. 35
\textsuperscript{171} Koch (2006), p. 35
\textsuperscript{172} Piercy and Morgan (1993), pp. 131-132
\textsuperscript{173} Piercy and Morgan (1993), pp. 131-132
\textsuperscript{175} Koch (2006), pp. 194-196
\textsuperscript{176} Koch (2006), p. 159
\textsuperscript{177} Kotler (2003), p. 299
### Table 2-3: Empirical investigations of segment evaluation criteria usage

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Context</th>
<th>Main Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Callaghan and Morley (2002)</td>
<td>Investigation of segmentation practices in consumer and industrial companies (B2C and B2B). One examined area included the rated importance of target group evaluation criteria of consumer and industrial companies (B2C and B2B). Sample consisted of 124 Australian companies.</td>
<td>Financial market place criteria are perceived to be most important. Internal organizational criteria are rated as important. Ten most important target group evaluation criteria in descending order: - Profitability of segment - Sales volume potential - Competitive rivalry/intensity in segment(s) - Reputation with customers in a segment - Current/potential market share - Ability of business to provide added value - Size of segment - Fit with business strategy - Ease of access through distribution channel - Firm's ability to offer differentiated product offer</td>
</tr>
<tr>
<td>Cross et al. (1990)</td>
<td>Investigation of segmentation practices in consumer and industrial companies (B2C and B2B). One examined area included the usage of target group evaluation criteria. Sample consisted of 32 consumer goods, industrial and service companies in the USA.</td>
<td>Financial market place criteria (i.e. size and profitability) but also internal criteria (i.e. compatibility with objectives and resources) are employed. Top three utilized target group evaluation criteria. Percentage in brackets: - Target market size (86%) - Compatibility with objectives and resources (84%) - Profitability (81%)</td>
</tr>
</tbody>
</table>

#### 2.2.1.4 The Implementation of a Segment-specific Marketing Program

A company that approaches a new market segment needs to decide how to position itself within the segment and how to employ its marketing activities. Positioning is a complex concept without a coherent and mutual agreement of its meaning in marketing science and practice. While several authors claim that positioning refers to an active managerial activity that focuses on the creation of associations in the mindset of consumers, others define it from the consumer perspective as an activity.

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178 Fuchs (2008), p. 11
that takes place in a consumer’s mind. The company perspective of positioning holds the view that perceptions of targeted consumers can be actively influenced with the purpose of creating favorable associations with the brand and the offering in question. The result of positioning efforts should be “[...] the successful creation of a customer focused value proposition, a cogent reason why the target market should buy the product.” The marketing literature differentiates between ‘intended positioning’ and ‘actual positioning’. The former refers to how a company wants to be perceived by the targeted consumers in relation to competition and the latter describes how the intended positioning is implemented and actually presented to the targeted consumers by means of the segment-specific marketing program. From the consumer perspective of positioning, the consumer processes information by perceiving cues about the brand and its offering, creating associations and forming a mental map in which various brands and offerings are positioned. Fuchs (2008) refers to the consumer perspective of positioning as ‘perceived positioning’, which includes the “[...] complex set of perceptions or beliefs, thoughts, feelings and impressions consumers hold for the brand compared to competition.” These perceptions or beliefs, thoughts, feelings and impressions may be formed by directly experiencing the brand and the provided marketing stimuli or indirectly through other sources, such as the media, competitors and word-of-mouth. Fuchs (2008) integrates the various concepts into a holistic positioning concept (see Figure 2-5).

Figure 2-5: Intended, actual and perceived positioning

<table>
<thead>
<tr>
<th>Company</th>
<th>Transmittance</th>
<th>Consumer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intended Positioning</td>
<td>Implementation of segment-specific marketing program</td>
<td>Actual Positioning</td>
</tr>
</tbody>
</table>

The incoherent view of positioning is obvious from reviewing the segmentation literature. Table 2-4 provides an overview of the segment-specific marketing activities listed in the literature that need to be adapted and directed towards a market segment. While some authors refer to positioning as a strategic act that decides how the company wants to be perceived (i.e. 'intended positioning'), others define it as the act of implementing the marketing mix: product, price, promotion and place (i.e., 'actual positioning'). Hence, some authors claim that segmentation implementation requires the direction of the positioning and the marketing mix towards the market segment, while others only refer to the marketing mix that has to be directed to the market segment.

In addition to authors that state the need to adapt the positioning and/or the marketing mix, Kotler (2003) refers to five possible dimensions to differentiate a marketing program for a market segment.185 These dimensions are the product, services, personnel, channels and brand image. A company possesses maneuverability along these dimensions and should adapt a marketing program in a way that maximizes the highest return.186 Koch (2006) also emphasizes the importance of brands and sales personnel as important adaptation elements.187 He further suggests three different approaches to implement marketing programs for new market segments. First, companies can choose a low adaptation option and to a limited extent adapt an existing marketing program. Second, companies can choose a medium adaptation strategy in which specific marketing instruments are adapted. Third, a company can choose a high adaptation option in which the positioning and all marketing mix variables are highly adapted.188

Reviewing literature has revealed that companies need to make decisions with respect to the brand, intended positioning, price, product, communication and distribution when they implement a marketing program. In this research, the implementation of a marketing program is defined as the act of executing all relevant marketing decisions around an offering targeted to a market segment, including:

- how to brand the offering
- how to position the offering
- how to price the offering
- which products and services to include in the offering

185 Kotler (2003), pp. 317-318
186 Kotler (2003), pp. 317-318
188 Koch (2006), pp. 203-211
how to distribute the offering
how to communicate the offering

Decisions concerning the sales force fall into the marketing program component of distribution (i.e. the sales force as the distribution channel) and communication (i.e. the sales force as the means of personal communication).

Table 2-4: Segmentation implementation: segment-specific marketing activities

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Segment-specific Marketing Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abratt (1993)</td>
<td>Positioning, products/services, sales promotions programs, advertising appeal, prices, sales force and distribution systems</td>
</tr>
<tr>
<td>Cross et al. (1990)</td>
<td>Advertising appeal/media, offering (products/services), sales promotion program, prices, sales force and distribution systems</td>
</tr>
<tr>
<td>Dibb and Simkin (1997)</td>
<td>Brand positioning, product range and portfolio, pricing and payment issues, promotional strategies and tactics, distribution and control, service levels and personnel and sales force</td>
</tr>
<tr>
<td>Freter (2008)</td>
<td>Product tactics, communication tactics, price tactics and distribution tactics</td>
</tr>
<tr>
<td>Koch (2006)</td>
<td>Positioning, product, price, promotion, place, sales personnel and brand</td>
</tr>
<tr>
<td>Kotler (2003)</td>
<td>Communication differentiation, product differentiation, services differentiation, personnel differentiation, channel differentiation and image differentiation</td>
</tr>
<tr>
<td>McDonald and Dunbar (2007)</td>
<td>Value proposition, product, price, promotion and place</td>
</tr>
<tr>
<td>Pepels (2007)</td>
<td>Product tactics, price tactics, distribution tactics and communication tactics</td>
</tr>
<tr>
<td>Schuster and Bodkin (1987)</td>
<td>Product, price, promotion and distribution</td>
</tr>
<tr>
<td>Weinstein (2004)</td>
<td>Product strategy, promotion strategy, price strategy and distribution strategy</td>
</tr>
<tr>
<td>Wind (1978)</td>
<td>Positioning-related decisions, product-related decisions, pricing-related decisions, advertising-related decision and, distribution-related decisions</td>
</tr>
<tr>
<td>Wind and Cardozo (1974)</td>
<td>Need match, product and service mix, advertising, pricing and distribution</td>
</tr>
</tbody>
</table>

Empirical investigations that examine the adaptation of a marketing program for market segments barely exist. The identified studies investigate which components of a marketing program are adapted but do not provide any information about how companies adapt them (see Table 2-5). The marketing program components of ‘product’ and ‘communication’ seem to be adapted most frequently. Abratt (1993) provides evidence that the majority of South African companies adapt their communication practices and product concepts, as well as services, for a new target
Similarly, Cross et al. (1990) discovered that more than half of American companies adapt these components. Abratt (1993) further reveals that more than 60 percent of the investigated companies employ different pricing tactics when they target a new market segment. Abratt (1993) and Cross et al. (1990) both agree that the adaptation of distribution channels generally plays a minor role when companies tailor the marketing program for a market segment.

Table 2-5: Empirical investigations of marketing program adaptation

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Context</th>
<th>Main Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abratt (1993)</td>
<td>Investigation of segmentation practices of consumer and industrial companies (B2C and B2B). One examined area included the segment-specific marketing program development. Sample consisted of 32 industrial companies in South Africa.</td>
<td>Most important marketing actions used to reach different segments relate to the mix elements of product, communication and price.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Adaptation of specific-marketing activities. Percentage in brackets:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Different products/services (87.5%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Different sales promotions programs (87.5%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Different advertising appeals (62.5%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Different prices (62.5%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Different sales forces (50.0%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Different distribution systems (37.5%)</td>
</tr>
<tr>
<td>Cross et al.</td>
<td>Investigation of segmentation practices in consumer and industrial companies (B2C and B2B). One examined area included the segment-specific marketing program development. Sample consisted of 32 consumer goods, industrial and service companies in the USA.</td>
<td>Segment-specific adaptations are most concerned with communication and product issues.</td>
</tr>
<tr>
<td>(1990)</td>
<td></td>
<td>Marketing activities utilized to reach segment. Percentage in brackets:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Segment-specific communication message and media (65%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Segment-specific product and service (56%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Segment-specific channels (25%)</td>
</tr>
</tbody>
</table>

2.2.1.5 The Monitoring and Evaluation of Segmentation Efforts

Two specific issues relate to the control of segmentation. On the one hand, the validity of the derived segmentation scheme needs to be monitored over time and, on the other hand, the effectiveness of the implemented marketing programs should be evaluated. The stability of segments can erode as a result of changes in segment size and segment membership. Periodical monitoring of segment stability is considered

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189 Abratt (1993), p. 83
190 Cross et al. (1990), pp. 532-536
191 Abratt (1993), p. 83
192 Abratt (1993), p. 83; Cross et al. (1990), pp. 532-536
193 Goller et al. (2002), pp. 264-265
194 Calantone and Sawyer (1978), pp. 395-396
necessary and it serves the purpose of verifying the existence of derived segments. Concerning the performance evaluation of implemented marketing programs, Bonoma and Shapiro (1984) propose two controlling processes. First, customer conversion analysis should reveal whether the identified prospects of a given segment are converted to customers, measuring the effectiveness of implemented marketing programs. Second, segment profitability analysis should disclose the quality of generated customers in terms of profits generated per marketing dollar invested in the segment, measuring the efficiency of the implemented marketing programs. Goller et al. (2002) emphasize that effectiveness and efficiency measures facilitate the recognition of gaps between intended and realized strategies and enable feedback loops for corrective actions. In practice, the stability of segmentation schemes is regularly monitored (see Table 2-6).

Table 2-6: Empirical investigations of segmentation control

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Context</th>
<th>Main Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Badgett and Stone (2005)</td>
<td>Investigation of segmentation practices in consumer companies (B2C). One examined area included the frequency of segmentation evaluation. Sample consisted of 122 companies, the majority of which were based in the USA.</td>
<td>Most of the time, companies evaluate segmentation strategies and solutions quarterly or annually. Frequency of segmentation evaluation. Percentage in brackets. - Daily (4%) - Weekly (4%) - Monthly (14%) - Quarterly (20%) - Annually (35%) - Every few years (4%) - It varies (5%) - Never (14%)</td>
</tr>
</tbody>
</table>

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196 Bonoma and Shapiro (1984), pp. 264-267
197 Goller et al. (2002), p. 265
Badgett and Stone (2005) found that 77 percent of segmenting consumer companies in the USA re-evaluates their segmentation studies in periods of one year or even shorter. However, they also ascertained that control issues present immense challenges for companies. In general, Födermayr and Diamantopoulos (2008b) constitute that companies that control segmentation efforts primarily use financial measures, which are easily obtained from balance sheets or profit and loss accounts. The recent studies of Craft (2004) and Badgett and Stone (2005) show evidence that companies measure the success of segmentation efforts. Besides the typical immediate financial performance measures, they utilize long-term financial measures (e.g. return on equity and return on investment) and customer-based as well as brand-based metrics (e.g. successful brand building, reputation and share of customers).

### 2.3 The Adaptation of a Marketing Program

The implementation of a segment-specific marketing program for a new target segment is accompanied by various decisions that a company needs to make and implement (see Section 1.4.3). Companies need to make and implement decisions around an offering targeted to a new market segment, including:

- how to **brand** the offering
- how to **position** the offering
- how to **price** the offering
- which **products and services** to include in the offering
- how to **distribute** the offering
- how to **communicate** the offering

Normative market segmentation literature usually suggests the development of a marketing program that is perfectly aligned with the new target segment’s needs and behavior. This means that a company should develop and implement a segment-specific brand, positioning, product, price, distribution system and marketing communication that cater to the needs of the new target segment. The normative market segmentation literature presumes that companies develop marketing programs from scratch. However, Koch (2006) emphasizes that business practice provides evidence that the totalitarian implementation of marketing activities, as suggested in

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198  Badgett and Stone (2005), p. 107  
199  Födermayr and Diamantopoulos (2008b), p. 258  
200  Badgett and Stone (2005), p. 112; Craft (2004), pp. 80-89  
201  Craft (2004), pp. 80-89
normative market segmentation theory, is the exception rather than the rule. Instead, companies mostly take an existing marketing program for served target segments as a starting and reference point. They adapt an existing marketing program to use as many synergies as possible that stem from existing practices and adapt as much as necessary for the new target segment.

The concept of adaptation intensity follows the logic that a company can adapt a marketing program to varying degrees and is composed of horizontal and vertical adaptation intensities. Kotler (2003) has acknowledged that companies have certain maneuverability in adapting specific components of a marketing program targeted towards a segment. Horizontal adaptation intensity describes the degree of adaptation intensity within one component of a segment-specific marketing program. Hence, horizontal adaptation intensity can vary within one component of a marketing program, from no adaptation to total adaptation. Following the idea of Meffert (2000) and Koch (2006), the intensity of adaptation may also differ between different components of a marketing program. The components of a marketing program are regarded in a hierarchical order; the brand and positioning determine the marketing mix. Vertical adaptation intensity increases with the amount and the hierarchical order of the horizontally adapted components of a marketing program. Referring to the hierarchical order, the brand represents the highest order, followed by the positioning and the various marketing mix instruments. The idea of the hierarchical order suggests that adaptations at higher levels have a stronger impact on the number of required changes and perceptions of the newly targeted market segment and require more resources. Adaptations at higher levels usually necessitate changes on subsequent levels. In contrast, changes at lower levels usually have a lower impact on the number of required changes and perceptions of the newly targeted market segment and require fewer resources.

The market segmentation literature only provides insufficient insights on the adaptation of marketing programs for a new target segment. In the following section, I review the general and specific marketing literature to identify the possibilities that companies have when they adapt an existing marketing program for a new target segment. More specifically, I will introduce the various components of a marketing program, identify the adaptation elements of the various marketing program components and derive adaptation possibilities. The findings of the literature review

serve as a basis for the qualitative research in which I investigate how companies actually adapt their marketing activities.

2.3.1 Adaptation of the Brand

A company that targets a new market segment needs to define the brand with which its segment offering should be associated. Originally, marketing literature followed the American Marketing Association’s definition of a brand as a “name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition.”\(^\text{205}\) From this perspective, a brand has the function of identifying the identity of the seller and to delineate an offering from the competitors’ offerings. Later definitions of a brand refer to it as an identity system that not only conveys a name or logo, but an identity in terms of attributes, values, personality traits and meanings. According to Ambler and Styles (1997), a brand is a “promise of the bundles of attributes that someone buys and that provides satisfaction […] The attributes that make up a brand may be real or illusory, rational or emotional, tangible or invisible.”\(^\text{206}\) Kapferer’s (1992) definition of a brand is not only related to attributes but also to values and the deeply anchored meaning of a brand. He claims that “[a] brand is not a product. It is the product's essence, its meaning, and its direction, and it defines its identity in time and space.”\(^\text{207}\) Recent definitions regard a brand from the customer’s perspective: Fournier (1998) argues that “[b]rands are ‘simply’ a collection of perceptions held in the mind of the consumer.”\(^\text{208}\) Similarly, Meffert (2000) describes a brand as anchored in the mind of the consumer, comprising a distinctive perception of an object or a subject.\(^\text{209}\) From this perspective, a brand is an image that resides in the mind of the consumer.

According to the various definitions, a brand (1) signals an offering’s identity with respect to its origin and its demarcation from the competition; (2) conveys an offering’s identity in terms of attributes, values, personality and meaning; and (3) is created by the consumer’s perceptions of the brand’s identity. In this sense, a company can adapt an offering’s identity by either adapting the signal of its origin (i.e. the brand name and logo) or by adapting the deeper meanings of identity. The adaptation of the deeper meaning of identity refers to the positioning of a brand. I examine the

\(^{205}\) Keller (2003), p. 3  
\(^{206}\) Ambler and Styles (1997), pp. 222-223  
\(^{207}\) Kapferer (1992), p. 11  
\(^{208}\) Fournier (1998), p. 345  
\(^{209}\) Meffert (2000), p. 847
positioning of a brand and an offering in Section 2.3.2. Hence, the adaptation of a brand in this research refers to the adaptation of identity in terms of the brand’s origin. Brand portfolio and brand architecture literature provide a wide array of possibilities in which companies have to brand an offering and signal its origin (see Table 2-7).

Table 2-7: Brand architecture concepts in literature

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Brand Architecture Concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aaker and Joachimsthaler (2000)</td>
<td>House of brands (not connected and shadow endorser), endorsed brands (token endorsement and linked name, strong endorsement), sub-brands (co-driver and master brand as driver) and branded house (different identity and same identity)</td>
</tr>
<tr>
<td>Brockhoff (1999)</td>
<td>Single brand, family brand, umbrella brand and multiple brands</td>
</tr>
<tr>
<td>de Chernatony (2001)</td>
<td>Corporate brand, strong corporate endorsement, weak corporate endorsement and individual product brand</td>
</tr>
<tr>
<td>Douglas et al. (2001)</td>
<td>Brands can be structured along the organizational level in which the brand is used (corporate, product business and product), the geographic scope of the brand (global, regional and national) and the product scope of the brand (the range of products or product lines on which a brand can be used)</td>
</tr>
<tr>
<td>Kapferer (2004)</td>
<td>Brand consists of a combination of different elements/roles: product brand, line brand, range brand, umbrella brand, source brand and endorsing brand</td>
</tr>
<tr>
<td>Keller (2003)</td>
<td>Combining elements of different hierarchical levels, such as corporate brand, family brand, individual brand and brand modifiers, resulting in different product brand/corporate brand dominance options of single entity, product brand dominance, equal dominance, mixed dominance and corporate dominance</td>
</tr>
<tr>
<td>Kühn et al. (2006)</td>
<td>Product brand, product group brand and umbrella brand</td>
</tr>
<tr>
<td>Macrae and Uncles (1997)</td>
<td>Corporate brand, sub-brand and product brand</td>
</tr>
<tr>
<td>Meffert (2000)</td>
<td>Single brand strategy, multiple brand strategy, family brand strategy, umbrella brand strategy and brand transfer strategy</td>
</tr>
<tr>
<td>Petromilli et al. (2002)</td>
<td>New brand, existing brand, sub-brand (new brand endorsed by existing brand); brand can be further distinguished into power brand, branded product line, niche brand and branded partnership</td>
</tr>
<tr>
<td>Rajagopal and Sanchez (2004)</td>
<td>Branded house, house of brands and endorsed brands</td>
</tr>
</tbody>
</table>

While many brand architecture concepts distinguish brands along the spectrum of a corporate brand and an individual product brand, hierarchical anchoring on the organizational level is not of primary interest in this research. The question to be raised is rather: to what degree should the brand of an offering targeted to a new market segment signal the same identity and be associated with an existing offering targeted to another market segment? Taking the brand of an existing offering (i.e. of the parent brand) as a reference point, a company needs to decide whether it wants to
brand the segment offering (1) under the same brand and signal the same identity; (2) as an independent brand and signal a different identity; or (3) as a combination of both and signal a partially different identity (see Table 2-8).

Table 2-8: Adaptation element and possibilities of a brand

<table>
<thead>
<tr>
<th>Component</th>
<th>Adaptation Element</th>
<th>Adaptation Possibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>Degree of association to an existing brand</td>
<td>The use of the same brand, a different (independent) brand or a partially different brand, as used for an offering for an existing target segment</td>
</tr>
</tbody>
</table>

2.3.2 Adaptation of the Positioning

A company that targets a new market segment needs to decide how to position its offering. Companies can intentionally position their offerings along numerous, different positioning bases: “[a] positioning base comprises a set of theoretically related associations and constitutes a means to convey a differential advantage of a brand in consumers’ minds.”

Various authors suggest different typologies that comprise different bases along which to position a brand and its offerings (see Table 2-9).

Table 2-9: Positioning typologies

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Positioning Typology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aaker and Shansby (1982)</td>
<td>Attributes, price/quality, use or application, user, product/service class and competition</td>
</tr>
<tr>
<td>Arnott (1992)</td>
<td>Empathy, solvency, promotions, administrative time, helpfulness, reliability, attentiveness, staff competence, flexible products, access to people, reputation, customization, incentives, social awareness, security and technology</td>
</tr>
<tr>
<td>Blankson and Kalafatis (2004)</td>
<td>Top of the range, service, value for money, reliability, attractiveness, country of origin, the brand name and selectivity</td>
</tr>
<tr>
<td>Bridges et al. (2000)</td>
<td>Attribute-based feature, attribute-based benefit and non-attribute-based (such as external aspects of the product that relate its purchase or consumption, e.g. user)</td>
</tr>
<tr>
<td>Crawford (1985)</td>
<td>Features, benefits (direct and indirect) and surrogates (nonpareil, parentage, manufacture, target, rank, endorsement, experience, predecessor and competitor)</td>
</tr>
<tr>
<td>Easingwood and Mahajan (1989)</td>
<td>Reputation/capabilities of organization (expertise, reliability, innovativeness and performance), augmentation of product offering (product augmentation and extra services), people advantage, more attractive package offering, a superior product through technology, accessibility, customization, needs satisfaction and offering complete product line</td>
</tr>
</tbody>
</table>

210 Fuchs (2008), p. 18
Table 2-9: Positioning typologies (continued)

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Positioning Typology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuchs (2008)</td>
<td>Feature (concrete and abstract attributes), benefits (direct/functional, indirect/experiential/symbolic) and surrogates (parentage, target, resource, product class, origin and name)</td>
</tr>
<tr>
<td>Kalafatis et al. (2000)</td>
<td>Pricing, ease of doing business, personal contact, product performance, range of offerings, presence, safety, leadership, distinct identity, status, country identity, differentiation and attractiveness</td>
</tr>
<tr>
<td>Kotler (2003)</td>
<td>Attribute, benefit, use or application, user, competitor, product category, quality and price</td>
</tr>
<tr>
<td>Wind (1982)</td>
<td>Product features, benefits, problem solution or need, usage occasion, user, against another product and product class disassociation</td>
</tr>
</tbody>
</table>

Reviewing positioning typologies, it can be inferred that offerings can be positioned along a specific benefit, attribute or surrogate base. Positioning based on benefits may refer to functional benefits, social benefits, emotional benefits, epistemic benefits and conditional benefits. By positioning an offering along attributes, a company indirectly refers to a benefit. Surrogate bases also provide indirect cues to benefits by transferring associations of an external aspect to the offering, such as parentage, the targeted customer, company resources, reference to a competitor, the product class, personalities, the origin or simply the reference to an offering. Figure 2-6 categorizes and summarizes the positioning bases mentioned in marketing literature.

Effective positioning enables a company to differentiate its offering within the marketplace. The positioning should provide cues about the benefits that the offering delivers. It is acknowledged that companies should position an offering on so-called ‘points of parity’, which are the benefit associations that are perceived as being necessary to be a legitimate offering within a product category. An offering should also comprise ‘points of difference’, which are the benefit associations that effectively differentiate the offering from the competition.

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211 Adapted from Blankson and Kalafatis (2004), p. 10
212 Sheth et al. (1991), pp. 160-162: A functional benefit refers to the perceived utility acquired from an offering’s capacity for functional, utilitarian and physical performance. A social benefit refers to the perceived utility acquired from an offering’s association with one or more specific social groups. An emotional benefit refers to the perceived utility acquired from an offering’s capacity to arouse feelings or affective states. An epistemic benefit refers to the perceived utility acquired from an offering’s capacity to arouse curiosity, provide novelty, and/or satisfy a desire for knowledge. A conditional benefit refers to the perceived utility acquired by an offering as the result of the specific situation or set of circumstances facing the choice maker.
213 Keller (2003), pp. 133-134
214 Keller (2003), p. 131
When a company targets a new market segment, its positioning should refer to the benefits the target segment seeks. A company needs to decide which benefits the consumers should associate with the offering and whether these benefits should be (1) the same; (2) different; or (3) partially different, associated with an existing offering targeted to another market segment (see Table 2-10).

<table>
<thead>
<tr>
<th>Component</th>
<th>Adaptation Element</th>
<th>Adaptation Possibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positioning</td>
<td>Benefit associated with the offering</td>
<td>The reference to the same, different or partially different benefits, referring to an offering for an existing target segment</td>
</tr>
</tbody>
</table>

### 2.3.3 Adaptation of the Price

Price-related decisions have a direct impact on the perceived quality and positioning of the segment offering. Pricing decisions can, therefore, not be made in isolation from an offering’s positioning. The aim of pricing is to define the ideal price and the price acceptance area of an offering. Based on the segment’s willingness and acceptance to pay for a segment-specific offering, a company needs to decide in which price segment...

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215 Adapted from Fuchs (2008), p. 23
216 Diller (2008), pp. 259
217 Freter (2008), p. 325-326
it wants to compete. It can choose to compete in the low price segment, in which demand is primarily driven by the lowest price, in the medium price segment, in which consumers demand stable and average prices or in the premium price segment, where consumers expect high prices and are willing to pay these. Eventually, a company may want to compete in the luxury price segment, in which consumers only accept very high prices. Consumers use perceived prices as inferences of perceived quality and value. More specifically, they evaluate the perceived benefits of an offering and the perceived price in order to infer the offering’s value.

Based on this premise, Kotler and Armstrong (2010) present five alternative value propositions that determine the pricing strategy of a company. They label the value categories in which companies can compete as: ‘more for more’, ‘more for the same’, ‘the same for less’, ‘less for much less’ and ‘more for less’ (see Table 2-11).

Table 2-11: Value categories by Kotler and Armstrong

<table>
<thead>
<tr>
<th>Value Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>More for more</td>
<td>Providing the most upscale product or service and charging a higher price to cover the higher costs (strongly branded products and services)</td>
</tr>
<tr>
<td>More for the same</td>
<td>Providing a branded offering that is comparable with ‘more for more’ but is charged at a lower price (branded products and services)</td>
</tr>
<tr>
<td>The same for less</td>
<td>Providing an average category product or service and charging a lower price (‘good deal’ products and services)</td>
</tr>
<tr>
<td>Less for much less</td>
<td>Providing a very basic product and service for a very low price (discount products and services)</td>
</tr>
<tr>
<td>More for less</td>
<td>Providing an offering that is comparable to superior products and services and charging a lower price (‘category killer’ products and services)</td>
</tr>
</tbody>
</table>

When a company determines the price for a segment-specific offering, it needs to decide how the price should be perceived and how the price should relate to the benefits provided by the offering. An adaptation of the price, therefore, needs to be considered in conjunction with the benefits of the offering. For this reason, I will henceforth refer to and investigate the adaptation of the price in relationship with the provided benefits of an offering instead of examining the price in isolation. Hence, a company needs to decide whether the price-benefit relationship of the segment offering should refer to (1) the same value category or (2) a different value category as an offering targeted to an existing target segment (see Table 2-12).

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218 Simon and Fasnacht (2009), pp. 41-69
219 Zeithaml (1988), pp. 3-22
220 Kotler and Armstrong (2010), p. 234
221 Kotler and Armstrong (2010), pp. 239-241
2.3.4 Adaptation of the Product

Products need to be adapted to cater to the needs of the newly targeted market segment. Based on the promised benefits and characteristics of the market segment, various elements of a product can be adapted. Companies need to decide which elements of the product should be adapted and to what degree. The objective is to create a product that is perceived to be superior to the competitors’ products. In the context of classical market segmentation literature and research, surprisingly little suggestions are provided regarding how products are adapted for specific market segments and the possibilities that in general exist in adapting a product. The contributions in general strategic marketing that deal with product policy provide an overview of a product’s different elements and therefore help to define possible adaptation elements. In addition, international marketing literature investigates the standardization and differentiation of products across different geographical markets. The insights and findings drawn from product adaptation on a national macro perspective can be transferred to product adaptation for a market segment on a micro level. Finally, the product design literature additionally provides insights into the elements of a product from a different angle. An overview of the different elements of products that may serve as sources of adaptation, as derived from the various literature streams, is depicted in Table 2-13.

According to the reviewed literature, product elements are structured in different ways. Some authors follow Levitt’s principle to define a product from its core functionalities up to the additional and augmented service elements. Others distinguish between tangible and intangible product elements and a third group of authors differentiates between the functional, aesthetic and symbolic elements of a product. A few authors include the concepts of positioning, price and brand into the product concept and others again strictly focus on the product itself. While some authors regard packaging to be a substantial part of a product, others neglect it. In this work, a product is defined as a means that provides value and benefits. Benefits are not a product element but the result of the acquisition, consumption or use of the product. Issues regarding the

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Table 2-12: Adaptation element and possibilities of the price

<table>
<thead>
<tr>
<th>Components</th>
<th>Adaptation Element</th>
<th>Adaptation Possibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>Price-benefit relationship</td>
<td>Competing in the same or different value category as an offering for an existing target segment</td>
</tr>
</tbody>
</table>

---

222 Levitt (1980), p. 86
positioning, benefits and price are, therefore, not related to the product concept. The
categorization of all other elements suggested by the literature allows the combination
of the adaptation elements of a product into the product itself, alongside its (1)
functional characteristics; (2) aesthetical and sensory characteristics; (3) packaging;
and (4) additional services. When a company develops a product for a new target
segment, it needs to decide which characteristics, packaging elements and additional
services of an existing product targeted at another segment should be kept, changed,
omitted and added.

Table 2-13: Literature review – adaptation elements of a product

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Literature Stream</th>
<th>Adaptation Elements of a Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Backhaus et al. (2001)</td>
<td>International Marketing</td>
<td>In international marketing different elements of the product policy need to be distinguished on the product level dimension into <strong>core product</strong>, <strong>packaging</strong>, <strong>branding</strong> and <strong>supplemental services</strong>.</td>
</tr>
<tr>
<td>Berkowitz (1987)</td>
<td>Product Design</td>
<td>Basic means for creation of the differential advantage are <strong>functional</strong>, <strong>structural</strong> and <strong>aesthetic aspects</strong>. Designs variants include changes in of size, color, shape, packaging, features and accessories.</td>
</tr>
<tr>
<td>Berndt et al. (1997)</td>
<td>International Marketing</td>
<td>Products can be adapted along their <strong>physical and functional characteristics</strong>, <strong>aesthetical appearance</strong> and <strong>additional services and features</strong>.</td>
</tr>
<tr>
<td>Belz (1997)</td>
<td>Strategic Marketing (Product Policies)</td>
<td>A product and service system can be differentiated according to the layers <strong>core product</strong>, <strong>product systems</strong>, <strong>assortment</strong>, <strong>services</strong>, <strong>customer integration processes</strong> and <strong>image/emotional product dimensions</strong>.</td>
</tr>
<tr>
<td>Brockhoff (1999)</td>
<td>Strategic Marketing (Product Policies)</td>
<td>Elementary elements of products comprise <strong>original instruments</strong> (material, shape, color) and <strong>derivative instruments</strong> (surface, symbol). Complex instruments involve <strong>instrument combination</strong> (functional principle, solution principle, construction principle) and <strong>concrete instrument combinations</strong> (modules).</td>
</tr>
<tr>
<td>Crilly et al. (2004)</td>
<td>Product Design</td>
<td>The physical product may be characterized by its <strong>functional and aesthetic elements</strong> (geometry, dimensions, textures, materials, colors, graphics and detailing). If consideration is to be given to other <strong>sensory aspects</strong> of design then touch, taste, smell and hearing can become significant.</td>
</tr>
<tr>
<td>Czinkota et al. (2004)</td>
<td>International Marketing</td>
<td>A product or service can be defined as the complex combination of <strong>tangible and intangible elements</strong>. Differentiation possibilities exist along the level <strong>core product</strong> (basic benefits), <strong>tangible product</strong> (features, quality, package, labeling, brand) <strong>intangible product</strong> (price, credit, positioning) and <strong>augmented product</strong> (warranty, repair, maintenance, installation, delivery, customer service, product use instructions). A product can be adapted along the product’s constituents, brand, packaging &amp; appearance (size, styling, color), functions, attributes, features, method of operation or usage, durability, quality, ease of installation, maintenance, after-sales service, country of origin.</td>
</tr>
</tbody>
</table>
Table 2-13: Literature review – adaptation elements of a product (continued)

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Literature Stream</th>
<th>Adaptation Elements of a Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freter (2008)</td>
<td>Strategic Marketing</td>
<td>Objective product characteristics include <strong>functional</strong> and <strong>aesthetic aspects</strong> (form, size, color, shape, styling, accessories)</td>
</tr>
<tr>
<td>Hüttel (1992)</td>
<td>Strategic Marketing (Product Policies)</td>
<td>Product elements are <strong>physical and functional characteristics</strong> (material, technology, quality, durability) <strong>aesthetic characteristics</strong> (design, color, form, package), <strong>symbolic characteristics</strong> (brand name) and <strong>services</strong> (customer service, consulting).</td>
</tr>
<tr>
<td>Johnson and Arunthanes (1995)</td>
<td>International Marketing</td>
<td>Adaptation of exported products on <strong>functional, aesthetic and symbolic elements</strong> (measurement units, size, brand, packaging, features, contents and quality)</td>
</tr>
<tr>
<td>Kotler (2003)</td>
<td>Strategic Marketing (Product Policies)</td>
<td>Products can be differentiated along their <strong>form</strong> (size, shape, physical structure), <strong>features, performance quality</strong> (conformance quality, durability, reliability, repairability), <strong>style</strong> and <strong>design</strong>.</td>
</tr>
<tr>
<td>Kühn et al. (2006)</td>
<td>Strategic Marketing (Product Policies)</td>
<td>Products can be adapted along <strong>inherent characteristics</strong> (materials, technology) <strong>objective characteristics</strong> (such as quality and effects/outcomes) and <strong>external characteristics</strong> (shape, color, size, design and accessories)</td>
</tr>
<tr>
<td>Noble and Kumar (2010)</td>
<td>Product Design</td>
<td>Product design levers include <strong>visual aesthetics</strong> and <strong>functional</strong> as well as <strong>symbolic elements</strong> (materials, proportion, color, ornamentation, shape, size, features, graphics, design principles, design metaphors, functionality, product platform, trade dress and trademark features)</td>
</tr>
<tr>
<td>Theodosiou and Leonidou (2003)</td>
<td>International Marketing</td>
<td>Product can be adapted on the dimensions of <strong>product level</strong>, <strong>functional characteristics</strong> and <strong>appearance characteristics</strong> (positioning, design/style, quality, features/characteristics, brand/branding, packaging, labeling, services, warranty, items/models in product line)</td>
</tr>
<tr>
<td>Toyne and Walters (1993)</td>
<td>International Marketing</td>
<td>Key product policy decisions need to be taken in terms of <strong>tangible product characteristics</strong> (product attributes, packaging, labeling) and <strong>augmented product features</strong> (service and warranty). Product attributes are performance characteristics, quality, features and styling.</td>
</tr>
<tr>
<td>Usunier (1996)</td>
<td>International Marketing</td>
<td>A product can be defined as a set off attributes which can be adapted according to the culture’s requirements. Attributes are <strong>physical attributes</strong> (size, weight, color), <strong>service attributes</strong> (maintenance, after-sales, spare parts availability) and <strong>symbolic attributes</strong>.</td>
</tr>
<tr>
<td>Wind (1982)</td>
<td>Strategic Marketing (Product Policies)</td>
<td>Product elements include <strong>functional characteristics</strong> (benefits expected from the product), <strong>structural characteristics</strong> (size, shape, form, color, material odor, and tactile qualities), <strong>aesthetic characteristics</strong> (design, shapes, colors and ornamental features)</td>
</tr>
</tbody>
</table>

### 2.3.4.1 Functional Characteristics

According to the reviewed literature, functional product characteristics refer to the product’s materials, ingredients, size, weight, shape, technology and process. By adapting functional product characteristics, existing products can be changed and
differentiated to better meet the needs of the market segment in question. Functional product characteristics are a means that convey functional benefits and should be designed to provide these benefits.

2.3.4.2 Aesthetic and Sensory Characteristics

Aesthetic and sensory product characteristics determine the sensory perception of the product and include the elements of styling and design, colors, shape, ornamental features, graphics, odor, textures and materials. The shape of the product and the utilized materials can serve functional purposes but can also have an aesthetic and sensory purpose. Aesthetic and sensory product characteristics are usually a means of delivering emotional and social benefits. Products should be adapted in accordance with the market segment’s understanding of aesthetics and sensory perception.

2.3.4.3 Packaging

Packaging is increasingly recognized as an effective way to create differentiation.223 The features of a package can emphasize the uniqueness and originality of the product and the package can itself be a source of benefits by providing better usage and dosage or emotional benefits due to its design.224 According to Nancarrow et al. (1998), the adaptation of packaging becomes relevant when a new product variant is launched, a product is revitalized or repositioned, a new market segment is targeted, cost reductions are required, legal requirements demand it or when new packaging technology becomes available.225 Adaptation elements of a package include visual elements, such as styling, color, symbols and graphics, packaging size and shape and informational elements in the form of text. Other sensory packaging elements include material, texture, odor and sound.226

2.3.4.4 Additional Services

Additional services are services that provide additional value to a product’s core solution.227 Additional services are a source of added value and differentiation, particularly when the product is a commodity or is easily imitable. Additional services are mainly regarded in the business-to-business and service context. However, additional services are also very important for consumer durables and gain increasing

223 Rundh (2005), p. 673
224 Silayoi and Speece (2007), p. 1497
225 Nancarrow et al. (1998), p. 110
attention in the fast moving consumer goods context.\textsuperscript{228} Usually, additional services refer to warranty, repair, maintenance, installation, delivery, product use instructions and general customer service. However, additional services also comprise tangible accessories or any other value-adding activity perceived by the consumer.

Table 2-14 summarizes the adaptation elements of a product and the adaptation possibilities a company can pursue when it adapts a product for its new target segment.

Table 2-14: Adaptation elements and possibilities of a product

<table>
<thead>
<tr>
<th>Component</th>
<th>Adaptation Elements</th>
<th>Adaptation Possibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Functional characteristics</td>
<td>Keeping, changing, omitting or adding functional characteristics (materials, ingredients, size, weight, shape, technology and process mechanisms) of an offering for an existing target segment</td>
</tr>
<tr>
<td></td>
<td>Aesthetic and sensory characteristics</td>
<td>Keeping, changing, omitting or adding aesthetic and sensory characteristics (styling and design, colors, shape, ornamental features, graphics, odor, textures and materials) of an offering for an existing target segment</td>
</tr>
<tr>
<td></td>
<td>Packaging</td>
<td>Keeping, changing, omitting or adding packaging elements (styling, color, materials, symbols, graphics, packaging size and shape and text) of an offering for an existing target segment</td>
</tr>
<tr>
<td></td>
<td>Additional services</td>
<td>Keeping, changing, omitting or adding additional services of an offering for an existing target segment</td>
</tr>
</tbody>
</table>

2.3.5 Distribution

The main task of distribution channels is to ensure the presence and availability of the offering for the newly targeted market segment in the marketplace.\textsuperscript{229} However, distribution channels are not only a way to guarantee availability and increase market coverage but can themselves be a source of competitive advantage. Segment-specific market access, risk reduction and distribution efficiency can increase differentiation and reduce costs.\textsuperscript{230} Classical market segmentation literature and research provides only limited guidance on how to direct and adapt a distribution channel system for a target segment. International marketing literature primarily focuses on the mode of entry into a specific country, limiting its concentration to the decision on whether to use an indirect export model, licensing model, joint venture model or to have a direct

\textsuperscript{228} Oliva and Kallenberg (2003), p. 160
\textsuperscript{229} Schögel and Pernet (2010), p. 5
\textsuperscript{230} Schögel and Pernet (2010), p. 5 and pp. 23-24; Schögel et al. (2003), pp. 7-8
presence within the country. General marketing, distribution and channel management literature usually refers to (1) the vertical channel structure and (2) the horizontal channel structure as the adaptation elements of a distribution system.

2.3.5.1 Vertical Distribution Structure

The vertical structure of the distribution system determines the number and type of distribution levels between the company and the targeted market segment. A differentiation is usually made between direct and indirect channels. Direct distribution refers to the sale of products without any intermediary: the company directly sells to the targeted customer. Indirect distribution includes intermediaries within the distribution system. Direct channels comprise company-owned channels, such as an internet store, catalogue, phone-order channel, intermediaries, sales agencies, branches and shops, factory shops and an employed sales force. Indirect channels involve wholesalers, specialty stores and retailers, supermarkets, shopping centers, department stores, specialist department stores, discounters, mail-order retailers, vending machines, non-owned internet shops and teleshopping. Companies need to decide which channels to employ in order to ensure the availability of the offering and to increase the perceived value for newly targeted consumers. They can choose to distribute the segment offering through the same or different and more or less distribution channels than an existing offering for another market segment.

2.3.5.2 Horizontal Distribution Structure

The horizontal structure of the distribution system refers to the breadth of distribution on a specific distribution level. A company needs to specify the distribution intensity for the new target segment and possesses three options from which to choose. Intensive distribution’s purpose is to increase market coverage by utilizing as many intermediaries as possible; the selection of intermediaries does not follow any qualitative and quantitative criteria. Selective distribution comprises the selection of sales intermediaries on primarily qualitative criteria, such as outlet size, assortment or willingness to cooperate. Third, exclusive distribution follows the premise of selecting intermediaries carefully on qualitative and quantitative criteria. Exclusive distribution limits the number of intermediaries and provides sales exclusivity. Companies should pursue an appropriate intensity level and choose

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234 Specht and Fritz (2005), pp. 66-89
235 Schögel and Pernet (2010), p 55
channel partners that are in accordance with the target segment’s purchase behavior and motives. Companies have the possibility to organize their own sales forces around specific products, customers, regions or sales channels.\textsuperscript{236} When allocating sales staff, a company can use the same salesperson across segments or dedicate specific salespeople to solely focus on the targeted segment. A company can choose to distribute the segment offering with the same or with a different distribution intensity than an offering distributed to an existing target segment.

*Table 2-15* summarizes the adaptation elements of distribution and the adaptation possibilities a company can pursue when it adapts the distribution system for its new target segment.

*Table 2-15: Adaptation elements and possibilities of distribution*

<table>
<thead>
<tr>
<th>Component</th>
<th>Adaptation Elements</th>
<th>Adaptation Possibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution</td>
<td>Vertical distribution structure</td>
<td>The use of the same or different and more or less distribution channels as used for an offering for an existing target segment</td>
</tr>
<tr>
<td></td>
<td>Horizontal distribution structure</td>
<td>The use of the same or different distribution intensity as used for an offering for an existing target segment</td>
</tr>
</tbody>
</table>

### 2.3.6 Communication

Marketing communication is an important way to reach and to communicate the offering’s value and benefits to the newly targeted market segment. Again, in market segmentation literature, only limited guidance is provided about the adaptation possibilities of marketing communication. The strategic marketing literature that deals with the marketing instrument of communication serves as a general source of possible adaptation elements. In addition, the international marketing literature provides insights regarding how to differentiate communication across markets supplying insights to be transferred on a smaller segment level. The advertising literature offers a wide array of insights with detailed descriptions of advertising elements. An overview of possible adaptation elements is presented in *Table 2-16*.

\textsuperscript{236} Schögel and Pernet (2010), pp. 62-63
<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Literature Stream</th>
<th>Adaptation Elements of Communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albaum et al. (2001)</td>
<td>International Marketing</td>
<td>In an international context, communication can be adapted along the <strong>channel dimension</strong>, <strong>literal dimension</strong> (the massage) and <strong>symbolic dimension</strong> (pictures, theme and layout).</td>
</tr>
<tr>
<td>Backhaus et al. (2001a)</td>
<td>International Marketing</td>
<td>The <strong>creative execution</strong> (e.g. pictures, background and slogan) can be standardized, partly differentiated or totally differentiated. Media strategy can use <strong>channels</strong> that are national, partially supranational or supranational.</td>
</tr>
<tr>
<td>Backhaus et al. (2001b)</td>
<td>International Marketing, Advertising</td>
<td>In a study on the standardization of international advertising campaigns, the elements of <strong>picture</strong>, <strong>topic</strong>, <strong>general layout</strong> and <strong>language</strong> were investigated.</td>
</tr>
<tr>
<td>Belch and Belch (2004)</td>
<td>Advertising</td>
<td>Elements of advertisements include <strong>text-based elements</strong>, such as headlines, subheads and body copy, as well as <strong>visuals</strong> and <strong>illustrations</strong>. In moving pictures, sound and video are also relevant elements.</td>
</tr>
<tr>
<td>Berndt et al. (1997)</td>
<td>International Marketing</td>
<td>The <strong>formal elements</strong> of marketing communications are text, slogan, headline, font style, graphics, pictures, illustrations, colors, music, size and length, rhetoric style and symbols. <strong>Content elements</strong> relate to the provided information (e.g. attributes, benefits, values, etc.), its transmittance (e.g. rhetoric style) and its purpose. Communication can be executed via different <strong>channels</strong>.</td>
</tr>
<tr>
<td>Bruhn (2005)</td>
<td>Strategic Marketing</td>
<td>Messages can be conveyed via the elements of <strong>text</strong>, <strong>pictures</strong>, <strong>sound</strong> and <strong>smell</strong>. Text: general elements (choice of words, length of sentences, type of sentence, type of argumentation, unambiguousness vs. ambiguousness, slogan, pun, metaphor, sentinel, dialogue, etc.); written text (orthography, text form, font type, font size and positive vs. negative formulations); and spoken text (tempo and dialect). Picture: general elements (motif, photo, drawing, colors, brightness, contrast, perspective, use of signs and symbols); static picture (composition); and dynamic pictures (tempo, passages, mimics and gestures). Sound: general elements (volume); voice (rhythm, dynamism, contrast and sound); and sounds (characteristics). <strong>Channels</strong> fall into the categories: advertising, sales promotion, direct marketing, PR, sponsoring, personal selling, trade fairs and events and multimedia communications.</td>
</tr>
<tr>
<td>Freter (2008)</td>
<td>Strategic Marketing</td>
<td>The <strong>cognitive</strong> and <strong>emotional elements of messages</strong> need to be adapted towards the market segment. <strong>Media vehicles</strong> need to be selected.</td>
</tr>
<tr>
<td>Grier and Brumbaugh (1999)</td>
<td>Advertising</td>
<td>Segment communication must adapt cultural issues, such as <strong>actors</strong>, <strong>symbols</strong> and <strong>language</strong>.</td>
</tr>
<tr>
<td>Holland and Gentry (1999)</td>
<td>Advertising</td>
<td>Advertising needs to be culturally adapted using the elements of the <strong>spokesperson’s background</strong>, <strong>language</strong>, <strong>music</strong>, <strong>illustrations</strong> and <strong>symbols</strong>.</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Literature Stream</td>
<td>Adaptation Elements of Communication</td>
</tr>
<tr>
<td>------------------------</td>
<td>-----------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Keller (2001)</td>
<td>Strategic Marketing</td>
<td>Marketing communications can vary in the elements of <strong>content</strong> (company information, product information, attributes, benefits, brand identity and higher values) and <strong>creative execution</strong> (typical user, usage situation, time, location and use of other informational and emotional means).</td>
</tr>
<tr>
<td>Kotler (1993)</td>
<td>International Marketing</td>
<td>In international marketing communications, the <strong>name, theme, execution</strong> and <strong>channel/media selection</strong> might need to be adapted.</td>
</tr>
<tr>
<td>Kotler et al. (2007)</td>
<td>Strategic Marketing</td>
<td>Communication instruments, such as advertising, PR, sales promotion, sales and others, vary in their use of different <strong>channels</strong>. The decision elements regarding the message to be sent involve <strong>content, structure, format</strong> and <strong>source</strong>.</td>
</tr>
<tr>
<td>Kühn et al. (2006)</td>
<td>Strategic Marketing</td>
<td>The creative strategy offers possibilities in the adaptation of the elements of <strong>message, pictures, colors, style, argumentation</strong> and <strong>melodies</strong>. The media strategy involves possible adaptation along <strong>channel selection</strong>.</td>
</tr>
<tr>
<td>Mueller (1991)</td>
<td>International Marketing, Advertising</td>
<td>The instruments investigating standardization vs. adaptation in international advertising included <strong>content and style elements</strong>: advertising theme, slogan, headlines, subheads, body copy, models/spokespersons, visuals/background scenes, product attributes, product packaging, product name, product(s) portrayed, dialogue and music.</td>
</tr>
<tr>
<td>Percy et al. (2004)</td>
<td>Advertising</td>
<td>Creative tactics encompass <strong>sound, music, written words, pictures</strong> (product, user and usage), <strong>color, movement and size</strong>.</td>
</tr>
<tr>
<td>Pieters and Wedel (2004)</td>
<td>Advertising</td>
<td>General advertising elements are <strong>brand elements, text elements</strong> and <strong>pictorial elements</strong>.</td>
</tr>
<tr>
<td>Pollay (1985)</td>
<td>Advertising</td>
<td>Advertising tactics include <strong>color, size of ad., artwork, images</strong> (usage, user, product and storyline), <strong>layout, depiction, rhetorical focus</strong> (source, tone and logic) and <strong>tactical focus</strong> (product features, benefits and risks to avoid).</td>
</tr>
<tr>
<td>Shimp (2003)</td>
<td>Advertising</td>
<td>Advertising elements include <strong>media and communication channels, message arguments, peripheral cues</strong> (background, music, scenery and graphics), <strong>endorsers, subliminal messages</strong> and <strong>symbols</strong>.</td>
</tr>
<tr>
<td>Solberg (2002)</td>
<td>International Marketing</td>
<td>International marketing campaigns can be differentiated in the dimensions of <strong>product information</strong>, the means to evoke <strong>associations and sentiments</strong> towards the product, <strong>selling arguments</strong>, <strong>main idea</strong> behind the campaign and <strong>text</strong>.</td>
</tr>
<tr>
<td>Theodosiou and Leonidou(2003)</td>
<td>International Marketing</td>
<td>Standardization and differentiation include elements of <strong>creative and execution style</strong>, as well as the <strong>message and theme</strong> of the marketing communications.</td>
</tr>
<tr>
<td>Usunier (1996)</td>
<td>International Marketing</td>
<td>The adaptation of marketing communications for different markets could include adaptations of <strong>content and creative style</strong> (degree and type of informative content, style, copy theme, background theme, color, use of words, use of humor, use of symbols, type of characters and situations).</td>
</tr>
<tr>
<td>Whitelock &amp; Rey (1998)</td>
<td>International Marketing, Advertising</td>
<td>The standardization and adaptation elements of the advertising examined included <strong>advertising media, advertising content, advertising execution</strong> and <strong>advertising structure</strong>, such as characters, length, music, screen captions, scenic background, slogan and text.</td>
</tr>
</tbody>
</table>
The literature defines the adaptation elements of communication broadly into: (1) the communication channels and media; (2) the communication content, which is also referred to by authors as the literal dimension, message, theme and tactical focus; and (3) the creative execution, which is also referred to by authors as the symbolic dimension, style, visuals, emotional elements and pictorial elements. A company needs to decide whether it wants to communicate to the new market segment over the same or different and more or less communication channels compared to the channels it uses for other market segments. It also needs to decide to what degree the communication content and the creative execution should be adapted from the existing communication practices for other target segments.

2.3.6.1 Communication Channels

Communication channels and media vehicles refer to the means with which a message is sent to the new target segment. Channels can primarily be adapted by the choice of specific channels. Non-personal channels comprise advertising channels such as TV, magazines, newspapers, brochures and billboards but also sales promotions, events, product placement and PR. Personal communication channels include interactive communications channels, such as the internet and telephone, as well as personal selling and trade fairs. Companies that target a new market segment need to decide which channels are appropriate to effectively reach the target segment.

2.3.6.2 Communication Content

Communication content relates to the informational content that is communicated to the newly targeted market segment. Communication content can be adapted and differentiated along the message to be sent to the new market segment, the theme in which the message is embedded and in the argumentation and presentation of additional information. The contents may include: information about the offering (such as the offering’s appearance); its attributes, benefits, source and price; usage instructions; the typical user; and the usage situation. When a company targets a new market segment, it needs to decide which message would gain the attention of the target segment and effectively conveys the positioning.

2.3.6.3 Creative Execution

The creative execution stimulates emotional responses and mediates cognitive responses from the communication content.\footnote{Percy et al. (2004), p. 178} While the communication content
determines ‘what’ is communicated, the creative execution is about ‘how’ to communicate the message. The creative execution should appeal to the newly targeted market segment and support the value proposition. A wide array of possibilities exists across different communication media to adapt the creative execution. Visual elements, such as illustrations, pictures, symbols and the scenery, can be adapted. The mood, atmosphere and colors are further sources of adaptation, as well as headlines, slogans and text. The language, specific words and the rhetoric style should fit with the targeted market segment. Endorsers and spokespeople can be utilized and certain media allow the employment of movements, sound, music and smell. Companies need to decide which ‘look and feel’ transfers the company’s message credibly and to what extent existing communication practices need to be adapted.

Table 2-17 summarizes the adaptation elements of communication and the adaptation possibilities that a company can pursue when it adapts its communication for a new target segment.

Table 2-17: Adaptation elements and possibilities of communication

<table>
<thead>
<tr>
<th>Component</th>
<th>Adaptation Elements</th>
<th>Adaptation Possibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>Channel</td>
<td>The use of the same or different and more or less communication channels as used for an offering for an existing target segment</td>
</tr>
<tr>
<td></td>
<td>Content</td>
<td>The use of the same, different or partially different content (message, theme argumentation and additional information) as used for an offering for an existing target segment</td>
</tr>
<tr>
<td></td>
<td>Creative execution</td>
<td>The use of the same, different or partially different creative execution (illustrations, pictures, symbols, scenery, mood, atmosphere, colors, headlines, slogans, text, language, rhetoric style, codes, endorsers, spokesperson, movements, sound, music and smell) as used for an offering for an existing target segment</td>
</tr>
</tbody>
</table>

2.4 Summary

This section introduced the concept of market segmentation and the segmentation process with its various activities. The activities associated with market segmentation incorporate: (1) the choice of segmentation bases; (2) the identification of segments; (3) the evaluation of segments and the selection of a target segment; (4) the implementation of a segment-specific marketing program; and (5) the monitoring and evaluation of segmentation efforts. The purpose was to embed the implementation of a
segment-specific marketing program within the context of the market segmentation process and to show the interdependencies between the activities. Based on the fact that companies mostly take an existing marketing program as a starting and reference point when they target a new market segment, the literature review revealed the adaptation elements and adaptation possibilities of individual marketing program components. Table 2-18 summarizes the adaptation elements and adaptation possibilities of the components of marketing programs.

Table 2-18: Adaptation elements and possibilities of marketing program components

<table>
<thead>
<tr>
<th>Marketing Program Component</th>
<th>Adaptation Elements</th>
<th>Adaptation Possibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>Degree of association with an existing brand</td>
<td>The use of the same (parent) brand, a different (independent) brand or a partially different brand as used for an offering for an existing target segment</td>
</tr>
<tr>
<td>Positioning</td>
<td>Benefits associated with the offering</td>
<td>The reference to the same, different or partially different benefits as an offering for an existing target segment</td>
</tr>
<tr>
<td>Price</td>
<td>Price-benefit relationship</td>
<td>Competing in the same or different value category as an offering for an existing target segment</td>
</tr>
<tr>
<td>Product</td>
<td>Functional characteristics</td>
<td>Keeping, changing, omitting or adding functional characteristics of an offering for an existing target segment</td>
</tr>
<tr>
<td></td>
<td>Aesthetic and sensory characteristics</td>
<td>Keeping, changing, omitting or adding aesthetic and sensory characteristics of an offering for an existing target segment</td>
</tr>
<tr>
<td></td>
<td>Packaging</td>
<td>Keeping, changing, omitting or adding packaging elements of an offering for an existing target segment</td>
</tr>
<tr>
<td></td>
<td>Additional services</td>
<td>Keeping, changing, omitting or adding additional services of an offering for an existing target segment</td>
</tr>
<tr>
<td>Distribution</td>
<td>Vertical distribution structure</td>
<td>The use of the same or different and more or less distribution channels as used for an offering for an existing target segment</td>
</tr>
<tr>
<td></td>
<td>Horizontal distribution structure</td>
<td>The use of the same or different distribution intensity as used for an offering for an existing target segment</td>
</tr>
<tr>
<td>Communication</td>
<td>Channel</td>
<td>The use of the same or different and more or less communication channels as used for an offering for an existing target segment</td>
</tr>
<tr>
<td></td>
<td>Content</td>
<td>The use of the same, different or partially different content as used for an offering for an existing target segment</td>
</tr>
<tr>
<td></td>
<td>Creative execution</td>
<td>The use of the same, different or partially different creative execution as used for an offering for an existing target segment</td>
</tr>
</tbody>
</table>
3 Requirements of a Successful Marketing Program for a New Target Segment

In the last chapter, I reviewed the marketing literature and presented the possibilities that companies have when they adapt the components of a marketing program. Before I investigate how companies actually adapt a marketing program for a new target segment, I want to unveil the requirements that a marketing program needs to fulfill to yield positive responses from the new target segment (see Figure 3-1).

Figure 3-1: Conceptual framework

A company should always consider the effects that a marketing program should generate when it adapts a marketing program for a new target segment. Hence, in the following chapter, I explore the requirements of a successful marketing program for a new target segment. I derived the requirements from the expert interviews I held in research phase II.238 According to the insights I drew from the expert interviews, a successful marketing program for a new target segment needs to (1) establish the awareness of the offering targeted to the new market segment. A company must also ensure (2) the availability of the offering for the new target segment. The new target segment must (3) perceive an advantage over the competitors’ offerings in the

238 For the list of expert interviews that were held in research phase II, please refer to Appendix A.
acquisition, consumption or use of an offering. Eventually, a company must convey its credibility and ability to serve the segment (see Figure 3-2). Each of the requirements is introduced and examples are provided that demonstrate how companies can successfully fulfill these requirements.

Figure 3-2: Requirements of a marketing program for a new target segment

3.1 Awareness

Awareness is defined as the consumer’s “ability to retrieve a set of brands and offerings from memory” and to identify alternative brands and offerings in sufficient detail to purchase or use them. It relates to the probability that a brand or a specific offering comes to mind and the ease with which it is retrieved. Awareness “represents the lowest end of a continuum of brand knowledge that ranges from simple recognition of the brand name to a highly developed cognitive structure of a brand’s offering.”

The creation of high awareness levels is particularly important for companies that approach a new market segment; awareness of the brand and its offering is a requirement for the adoption of an offering. Establishing awareness is a critical success factor, as the consumers of a newly targeted market segment might have no, little or different associations attached to the brand or the company. For new players in a market segment, the first stages of the consumer decision-making process are critical since the establishment of awareness preconditions the following stages. According

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239 Nedungadi and Hutchinson (1985), p. 498
240 Percy et al. (2004), p. 130
242 Roberts (2000), p. 35
to Roberts (2000), new players in a segment often face the challenge of achieving need arousal, awareness and consideration.243

Experts acknowledge that “[t]he first barrier [in acquiring a new market segment] is to create awareness of the brand and the offering” and stress its importance.244 The marketing director of Frosta agrees and states: “[t]he biggest challenge and important requirement is to reach the new market segment […] and get into the consumer’s mind.”245 When consumers of a newly targeted market segment have not considered a brand or an offering of the company, “[…] you need to break the barrier of selective perception and consumer heuristics. […] The segment needs to get aware of the offering. […] And one major issue we deal with is to figure out how we can get into the relevant set.”246

A newly targeted consumer faces uncertainty when dealing with a new segment offering s/he is barely aware of and perceives a certain risk related to the purchase and consumption of the offering. Consumers may incur time costs and search costs, as well as learning costs, to reduce uncertainty. They may also engage in cognitive as well as physical efforts to decrease the financial, social or psychological risks.247 High and strong awareness levels reduce uncertainty and perceived risks. According to Keller (1993), a brand’s awareness is important in decision-making for three reasons.248 First, a high awareness level increases the probability of being included in a consumer’s consideration set. Second, a high awareness level can directly lead to a consumer’s purchase decision, as is the case in habitual and low involvement decision settings. Third, a high awareness level influences the creation and intensity of brand associations, as awareness is a precondition of attitude formation.

Almost all the interviewed experts mention that the creation of high awareness levels is one driving force in winning a new market segment. In particular, they mention the need to establish (1) reach; (2) exposure; and (3) word-of-mouth effects to benefit from multiplication effects (see Figure 3-3).

243 Roberts (2000), p. 36
244 Expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)
245 Expert interview [49], Frosta (Ehlers)
246 Expert interview [50], Tui Cruises (Behrens)
247 Huber et al. (2001), p. 45
248 Keller (1993), p. 3
3.1.1 Establish Reach

**Identification and use of segment-specific communication channels:** The first step in attaining awareness is to reach consumers of the newly targeted market segment. According to the experts, awareness needs to be established fast in order to leverage on the segment potential. One expert shares: “[w]e have tried to create reach as fast as possible” and further underpins the necessity of utilizing communication channels that ensure the reach of the market segment. In order to establish reach, “media usage and information behavior needs be examined,” “[c]ommunication channels need to be analyzed,” and “[…] appropriate touchpoints need to be identified.” An illustrative example of the usage of segment-specific communication channels is how the European car repairs and supplies shop *A.T.U* started to target the ethnic group of Turks living in Germany three years ago. *A.T.U* has utilized a variety of touchpoints and media in order to establish awareness of its brand and its specific offering for the market segment. It has advertised in Turkish newspapers supplied in Germany, such as *Hürriyet* or *Milliyet*, has used Turkish radio channels airing in Germany and has

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249 Expert interview [42], anonymity guaranteed
250 Expert interview [46], Fissler (Loges)
251 Expert interview [41], Dextro Energy (Ehrenbeck)
252 Expert interview [49], Frosta (Ehlers)
distributed flyers at locations where the density of Turks is high, such as Turkish coffee bars and locations close to a mosque.\textsuperscript{253}

The companies \textit{Bonduelle} and \textit{Fissler} have also employed segment-specific communication channels to reach their new target segments. The usage of segment-specific communication channels enabled them to build up awareness among newly targeted consumers. Within its fresh cut salad business, \textit{Bonduelle} utilized TV as a medium in order to establish awareness among its target segment of mothers and their children. The newly developed fresh cut salad \textit{Bonduelle Frischer Kindersalat} was advertised on the biggest German children’s channel. As approximately 40 percent of mothers watch TV together with their children, \textit{Bonduelle} was able to establish high awareness of the product category and its brand among mothers and children.\textsuperscript{254} \textit{Fissler}, the premium cookware producer, detected a high affinity for the internet and cooking, as well as lifestyle magazines, in its new target segment. Awareness could be established for a substantial proportion of the market segment by advertising in and cooperating with online cooking and recipe platforms, as well as magazines such as \textit{Lecker, Essen und Trinken} and \textit{Home Decoration}.\textsuperscript{255}

\textbf{Use of far-reaching communication channels:} Although many experts state that the use of appropriate channels can effectively and efficiently help to achieve awareness of the brand and the offering, one expert explicitly states that \textit{wastage} should be accepted when it comes to establishing awareness.\textsuperscript{256} Companies need to reach a critical mass of newly targeted consumers. Far-reaching communication channels enable a company to reach as many segment members as possible. In certain circumstances, the consumers of a segment may have very different media usage behavior. Market segments that are grouped on the basis of benefits often do not allow targeted communication. Consequently, companies are forced to use a variety of channels and/or to employ far-reaching channels.

\textbf{Use of point of sale for segment-specific communication:} Due to limited marketing budgets, companies often cannot afford far-reaching channels such as TV. They depend on the point of sale in the creation of awareness for the brand and the offering. Companies are often forced to limit their TV advertisements to general brand image campaigns or to major products. The point of sale is then utilized to create awareness for the specific offering for the new market segment. “We are not able to implement a

\textsuperscript{253} The A.T.U example is based on expert interview [39], A.T.U (Dereli)
\textsuperscript{254} The Bonduelle example is based on expert interview [36], Bonduelle (Kuhnle)
\textsuperscript{255} The Fissler example is based on expert interview [46], Fissler (Loges)
\textsuperscript{256} Expert interview [42], anonymity guaranteed
huge TV advertising campaign for a specific product for a specific market segment. [...] Hence, our primary channel to communicate is and remains the point of sale”, admits an expert.257 Other experts also indicate resource scarcity and regard the point of sale as a pivotal touchpoint in establishing awareness.

### 3.1.2 Establish Exposure

**Increased, continuous and frequent media pressure:** Another important point put forth by the interviewed experts is the issue of frequency:

> “In order to get the new offering into the mind of consumers, it requires constant repetition of exposure. And that is different from reminder advertising for existing products [served to established target segments]. An increased and continuous media pressure is required. [...] It is not enough to advertise for one year but if you want to establish the brand and the offering [within the new market segment] you need to advertize for several years.”258

Another expert agrees and states: “[o]ffensive strategies and frequent contact with the customer are required to get into the mind of the customer and strengthen the positioning.”259 Establishing the right frequency level can be pivotal as too few exposures might not lead to recall and too many exposures might annoy the consumer. One expert clearly expresses:

> “The targeted audience needs to be reached with an adequate frequency level. And that is not guaranteed as media agencies still base coverage on GRPs [i.e. Gross Rating Points]. In extreme cases, this could mean that one consumer may see the advertising spot a hundred times, which the consumer probably would not find very pleasant or hundred consumers may see the advertising spot only once, which would be very ineffective considering the media pressure consumers are exposed to.”260

**Attention capturing communication:** According to the interviewed experts, communication needs to catch the attention of targeted consumers. It often requires innovative and sometimes unconventional ways of communication to capture the attention and interest of newly targeted consumers. For instance, *Fissler* created a

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257 Expert interview [47], Sennheiser (Sennheiser)
258 Expert interview [45], Iglo (Erler)
259 Expert interview [25], Grohe (Fischer)
mobile snack stand and took a roadshow to 25 different retailers within Germany. The snack truck was situated in front of retailers such as Kaufhof and Karstadt. A cook prepared meals and showed prospects how easy and fast healthy food can be prepared using the vitavit® models of Fissler. The snack stand, with its controversial slogan ‘eat more fast food’, achieved high acceptance of passing pedestrians and generated awareness of the brand and its offering.261

3.1.3 Establish Word-of-Mouth

*Approaching and involving opinion leaders and ambassadors:* Positive word-of-mouth effects can substantially increase awareness levels within a market segment. Experts explicitly mention that recommendations by members of the market segment enable a company to establish and multiply awareness levels. Companies should enforce positive word-of-mouth effects. Besides members of a market segment, recommenders can be a company’s own employees and opinion leaders, as the following examples demonstrate.

Recommendations influence purchase and consumption to a high extent among Turks living in Germany. A.T.U, the car supplies and repairs shop, tries to leverage this willingness to recommend by encouraging its numerous Turkish employees to spread the word and positively speak about A.T.U in their personal environments.262 *Bosch Power Tools* has specifically addressed opinion leaders and has organized design workshops for journalists. These demonstrated the vast possibilities that the range of Bosch power tools, e.g. the screwdriver Bosch IXO or the rotary hammer, drill and screwdriver Uno, offer in do-it-yourself (DIY), decoration and design. The purposes of the workshops were to make the journalists acquainted with the range of Bosch power tools regarding DIY, decoration and gardening projects, present them with their usage possibilities, inspire the journalists for their own DIY projects and consequently stimulate them to pass their conviction to their readers.263

*Use of segment-specific below-the-line activities:* Innovative and segment-specific below-the-line (BTL) activities trigger word-of-mouth effects. In addition to its TV spots, Wrigley utilized a variety of innovative activities in order to increase awareness of its newly introduced brand 5 GUM. It targeted the opinion leaders of the new target segment of consumers who want to reflect a young, urban and trendy lifestyle. Based on the theme ‘making senses – challenge your senses – visionaries wanted’, Wrigley

261 The Fissler example is based on expert interview [46], Fissler (Loges)
262 The A.T.U examples is based on expert interview [39], A.T.U (Dereli)
263 The Bosch IXO example is based on expert interview [32], Bosch Power Tools (Schneider)
created a competition and event called 5 GUM Vision Lab, where young designers, artists, writers, etc. could submit projects that challenge the human senses. Ten visionary projects were selected and presented during a workshop in Berlin. Six international lifestyle experts evaluated the projects and announced a winner, who received 10,000 Euros in prize money. The event was accompanied by discussion rounds and parties open for the public.\textsuperscript{264} The 5 GUM Vision Lab received a lot of PR and word-of-mouth. Similarly, the initiative 5 GUM Walls Alive achieved high media coverage, as well as attention from the targeted segment and opinion leaders. In this initiative, video artists projected 3D light art on the facades of five different night clubs in Germany, stimulating the senses of spectators.\textsuperscript{265}

3.2 Availability

Awareness of an offering is, however, not enough. A company also needs to ensure availability of the offering for the newly targeted market segment in the marketplace.\textsuperscript{266} When a company targets a new market segment, it needs to decide ‘where’ the customer should purchase the product and ‘how’ the product is presented to the customer.\textsuperscript{267} Establishing availability in the marketplace allows a company to benefit from awareness levels and generate sales.

The interviewed experts emphasize the importance of establishing the availability of the offering in the marketplace. In particular, “[…] it needs to be found out where they [the consumers of the new target segment] shop and where they buy comparable offerings.”\textsuperscript{268} It is important to provide consumers with the possibility of buying the offering when they need it and where they expect to find it. “Establishing availability of the products was one of the main challenges we had to deal with.”\textsuperscript{269} “Availability is a key success factor. In our case, we needed to build up distribution very fast.”\textsuperscript{270}

The interviewed experts emphasize that the availability of the offering for the new target segment requires(1) establishing the presence of the offering in the marketplace via segment-specific distribution channels and (2) presenting the offering at the point of sale in a way that the target segment notices it and can relate to the offering (see Figure 3-4).

\textsuperscript{264} Wrigley (2009), retrieved 07.01.11 from www.wrigley.de
\textsuperscript{265} Wrigley (2010), retrieved 07.01.11 from www.wrigley.de
\textsuperscript{266} Schögel and Pernet (2010), p. 5
\textsuperscript{267} Schögel (1997), p. 20; Schögel and Pernet (2010), p. 17
\textsuperscript{268} Expert interview [24], anonymity guaranteed
\textsuperscript{269} Expert interview [41], Dextro Energy (Ehrenbeck)
\textsuperscript{270} Expert interview [42], anonymity guaranteed
3.2.1 Establish Presence

Identification and use of segment-specific distribution channels: A company must find out where the new target segment shops and where it expects to find the offering. Suitable, segment-specific distribution channels need to be identified and used. The offering should be present in the distribution channels that the target segment frequently uses. The example of Dextro Energy demonstrates the effective use of segment-specific distribution channels. Dextro Energy recently started to target the segment of performers with supplemental sports nutrition. Performers are ambitious endurance sport athletes who regularly and intensely take part in sports such as running, triathlons or cycling. They care greatly about sports nutrition; they inform themselves about it and demand professional advice. The primary distribution channels for this segment are therefore dedicated sports shops and sports retail chains that can provide professional consultancy. In addition, dedicated promoters distribute the sports nutrition line at numerous sports events. The events help Dextro Energy to get effectively in direct contact with the target segment and to sell their products in a context where possible consumers are highly sensitized. Adhering to the internet affinity of the segment, products are also sold via known electronic sports platforms and online shops. Dextro Energy establishes the availability of its offering for newly
targeted consumers by utilizing the channels of offline retail, online retail and sports events.271

Use of segment-specific channel partners and sales representatives: “The shopping experience is of utmost importance”272 and needs to be coherent with relevant purchase motives.273 Partners within a specific distribution channel should be carefully selected. The chosen intermediaries need to fit with the target segment’s shopping behavior and their expectations, as the following example demonstrates. An international perfume and cosmetics manufacturer distributes its new designer perfume through selected perfumeries. The target segment consists of well-earning females between 25 and 45 who are trendy, cosmopolitan and fashion-conscious and express themselves by wearing exclusive and extravagant clothes. The perfume is only distributed through high-end perfumeries so they are able to convey the required exclusivity and shopping experience that the newly targeted consumers are seeking. Selling the perfume in ordinary perfumeries or even supermarkets would deteriorate the aspired image.274 When Grohe started targeting the premium customers of bath fittings, retailers and craftsmen were trained on how to deal with this particular market segment in order to guarantee the customers would have a shopping experience that fit with the brand’s promise. The so-called ‘Showroom Training’ and ‘Business Knigge Training’ enabled salespersons to find answers to questions such as ‘How do I identify premium customers?’, ‘What are their specific needs?’, ‘How do they behave?’ and ‘How do I communicate with them?’. The salespersons were consequently more comfortable in dealing with premium customers and selling the products in a segment-specific way.275

3.2.2 Establish Presentation

Segment-specific presentation of the offering at the point of sale: Offerings at the point of sale need to be presented in a way that increases the recognition of the brand and the offering:

“On average, 70 percent of all purchase decisions are made within 3.4 seconds at the point of sale. Considering the fact that a consumer can only process maximal 50 bits per second, a consumer can manage at most 200 bits when s/he makes a decision. Since the processing of a

271 The Dextro Energy examples is based on expert interview [41], Dextro Energy (Ehrenbeck)
272 The example is based on expert interview [14], anonymity guaranteed
273 Schögel and Pernet (2010), pp. 30-31
274 Expert interview [24], anonymity guaranteed
275 Expert interview [25], Grohe (Fischer)
letter or a number requires already 5 bits, the offering needs to provide obvious and simple clues to be processed and recognized.”

The expert from the international perfume and cosmetics company refers to the importance of the point of sale as it is the touchpoint where “[…] ‘push’ meets ‘pull’”, stating:

“We have clear restrictions and rules about how products for a new market segment need to be presented at the retailer […]. Specific competitor’s products, also targeting the market segment, need to be in direct proximity. Otherwise, the offering is not perceived and recognized. […] In addition, displays and sales materials are used and installed by us to make the consumer not only aware of the offering but to present it in a segment-specific way.”

While the experts agree with the need to locate products in typical aisles and shelves in direct proximity of the competitors’ offerings, some experts also stress the importance of implementing innovative point of sales concepts. *Lorenz Bahlsen Snack-World* used premium secondary displays with a natural look situated in the wine area for its *Naturals* potato chips. The secondary display was intended to encourage newly targeted consumers to snack *Naturals* while enjoying a glass of wine.

### 3.3 Perceived Advantage

Consumers acquire information, encode information and make their choice of a specific product based on their consumption goal, which motivates and directs their consumption behavior. According to the means-end chain model, a consumer’s cognitive processes in decision-making are linked on different levels of abstraction. Products are evaluated along specific product attributes for the purpose of attaining certain consequences (i.e. benefits), which in turn help the consumer to derive a desired end-state. Concrete and abstract product features are ‘means’ to functional and psycho-social consequences and result in ‘the ends’ of instrumental and terminal values to which the consumer is aspiring. Marketers can influence the consumer to link the product with the satisfaction and attainment of benefits, goals and values.

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276 Expert interview [30], Mayer de Groot Marketing Research and Consult (Mayer de Groot)
277 Expert interview [24], anonymity guaranteed
278 Expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)
281 Gutman (1982), p. 65
Benefits are the linkage between the product and the consumer. The benefit depicts the relationship of the product to the self and influences the consumer’s motivation to buy and consume the product. Consumers must, therefore, perceive an offering’s benefits as important in attaining a specific consumption goal.

The relevance of an offering is the precondition for it to be considered as an attractive alternative. However, the offering must not only be perceived as attractive, but as the best alternative to satisfy relevant needs and to achieve desired consumption goals. According to Dickson and Ginter (1987), an offering must be perceived to differ from competitors’ offerings on any physical or non-physical attribute in order to achieve perceptual differences that classify the offering as the best alternative in the eye of the consumer. The successful differentiation of an offering requires value-adding activities that lead to perceived superiority and uniqueness. An offering’s perceived superiority and uniqueness can be achieved in many different ways, such as by providing superior service, offering superior product attributes or eliciting emotional responses with a strong brand. The offering must present the consumer with a ‘reason to buy’. It must be differentiated from the competition with a compelling and unique value proposition in order to achieve superior performance and a competitive advantage. A company must highlight the offering’s unique selling proposition, consisting of attributes or benefits that consumers would perceive as valuable and advantageous and would influence their choice positively. By providing a relevant and unique advantage, companies are able to provide added value to the customer.

A marketing program for a new market segment must convey and provide the consumer a perceived advantage in acquiring, purchasing or consuming an offering. According to the interviewed experts, the offering for the new target segments must be (1) highly relevant; (2) unique; and (3) address emotions (see Figure 3-5).

### 3.3.1 Establish Relevance

**High relevance and sustainability of benefits:** The perceived relevance of a provided benefit is particularly important when new market segments are targeted. Consumers learn about brands and offerings over time. They gather relevant information and learn which offerings provide which benefits. Being confronted with an offering from a company that has not actively targeted the consumer before, the consumer needs to

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283  Walker and Olson (1991), pp. 111-112  
284  Dickson and Ginter (1987), p. 4  
285  Day and Wensley (1988), p. 4  
286  Slater (1997), p. 164  
287  Belz (2004), pp. 19-20
learn which benefits the offering delivers.\textsuperscript{288} A highly relevant benefit maximizes the ease of justifying the decision to buy a specific product.\textsuperscript{289} Hence, companies targeting a new market segment must clearly provide an important benefit. If the consumer is not able to identify an important benefit right away, the offering is not perceived as relevant and is not considered.

\textit{Figure 3-5: The requirement of 'perceived advantage'}

The interviewed experts emphasize that marketing programs for a new market segment must comprise and clearly convey a benefit that is perceived important. The sustainable acquisition of a new market segment can only be successful when the offering delivers a real benefit to the consumer: “[a]chieving real consumer relevance with the offering’s proposition is a key success factor, in order to establish the offering and brand sustainably in the new market segment.”\textsuperscript{290} “You need to deliver a real benefit and provide value.”\textsuperscript{291}

“You often see companies that adapt the packaging towards a certain market segment. […] However, in order to win a market segment sustainably, you need to have a substantial benefit. […] Simply coloring the packaging black for a male segment does not work. […] Is it enough

\textsuperscript{288} Erdem and Keane (1996), p.3
\textsuperscript{289} Bettman et al. (1998), p. 193
\textsuperscript{290} Expert interview [42], anonymity guaranteed
\textsuperscript{291} Expert interview [33], FrischCo. (Kreienkamp)
to put a comic on the packaging when you target children? I guess it can work in the short run, but to win consumers in the long run, you need to provide a benefit that is really important to the market segment.”

Companies have innumerable possibilities to differentiate their offerings from those of their competitors and packaging can indeed be a source of benefit in terms of ease of use, dosage and appearance. However, the differentiation of the offering needs to make sense and satisfy the most relevant needs.

“We could have introduced a pink savings account or a credit card for women, but that is not what women perceive as relevant when they deal with a bank. It is rather about finding the solutions to their specific situations in life. […] Be it life as single, founding a family or financing your life as a widow.”

Providing trust and honest financial consultancy in accordance with specific needs during a woman’s life cycle allows Bank Coop to provide specific benefits that are relevant in different phases of life.

**Concretization of benefits and focus on main benefits:** “You always need to question and test whether the concept you are developing is relevant for the market segment and whether it provides concrete benefits”, states the marketing director of Lorenz Bahlsen Snack-World. He further concludes that the concretization of benefits was one major success factor that has contributed to the success of the Naturals potato chips. In 2005, the demand for organic labeled food grew extensively across many different segments. The trend of health and sustainability became a mass phenomenon. Lorenz Bahlsen Snack-World considered the introduction of organic potato chips that provide benefits to health and sustainability. However, Lorenz Bahlsen Snack-World found that there was actually no demand for organic potato chips, as people do not consume potato chips to eat healthily. The primary driver when snacking alone is rather to reward oneself. “After working intensely for a week and having had lots of stress, you loosen your tie, sit on the couch, put your feet on the table and open a bag of potato chips. You know that they are not good for you, but you deserve it.” For this reason, Lorenz Bahlsen Snack-World introduced Naturals, potato chips without flavor enhancers, preservatives or artificial flavors. Instead of generally transmitting benefits

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292 Expert interview [38], Gutfried (Stenske)
293 Expert interview [40], Bank Coop (Peter)
294 Expert interview [40], Bank Coop (Peter)
295 Expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)
296 Expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)
of health and sustainability and communicating healthy potato chips, Lorenz Bahlsen Snack-World has been successful due to specifying the relevant benefits and conveying the message of ‘snacking without a bad conscience’.297

There is common agreement among experts that an offering for a new target segment should focus on the most important benefits. There is a tendency for marketers to try to provide a wide array of features to increase the number of potential consumers and the probability that a consumer can satisfy a relevant need. However, this fallacy rather leads to over-engineered products where the strength of specific benefits is sacrificed for mass compatibility. A focus on a few, very specific benefits can be advantageous, as the following example demonstrates.

In 2003, Bosch Power Tools introduced the screwdriver Bosch IXO. The Bosch IXO was the first power tool with lithium-ion technology – a technology that had proven to be successful in mobile phones and laptops. Lithium-ion batteries do not suffer from the memory effect or self-discharge, retaining full power even if the battery is not used for months. Lithium-ion batteries are extremely powerful while they are smaller and lighter than usual batteries. The use of lithium-ion technology enabled Bosch Power Tools to develop small, light-weight power tools like the screwdriver IXO, which was substantially more compact and lighter (only 300 grams) than other cordless screwdrivers while providing relatively high performance, especially regarding its low weight and small size. Within the first year, 1.5 million IXOs were sold; a volume that other tools usually generate within their whole product life. The Bosch IXO found great acceptance among passionate, pragmatic and soft DIYers. It especially raised the interest of soft DIYers in power tools. The growing target group of soft DIYers consists of a high share of women and also men who begin to discover their interest for DIY, particularly when it comes to projects that can be managed easily or that are concerned with decorating home creatively. Soft DIYers mainly use tools for creative interior design activities as well as usual tightening and assembly jobs around the home, such as hanging up a picture or assembling a shelf. The use of lithium-ion technology enabled Bosch Power Tools to address the needs of the soft DIYers: they need small, light-weight, handy as well as easy-to-use tools. The focus on these key benefits was one major success factor of the Bosch IXO, as “in the end you need to develop a tool that exactly meets the demands of the consumers. […]”.298

297 The Naturals example is based on expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)
298 The Bosch example is based on expert interview [32], Bosch Power Tools (Schneider)
3.3.2 Establish Uniqueness

**Providing a unique or superior benefit:** Companies entering a new market segment must provide an offering that grants a superior, advantageous and unique benefit. Companies that already serve the market segment in question profit from the pioneering effect. Pioneers have more time to establish specific associations with their offering and have usually built up awareness by the time other companies attempt to enter the segment.\(^{299}\) Kardes et al. (1993) found evidence that the pioneering brand is more likely to be retrieved, considered and selected than brands that enter the market at a later point in time.\(^{300}\) A company entering the market segment can either try to position its offering on a benefit that is not or is only partly associated with the competitors’ offerings or it can position the offering closer to a benefit that a competitor’s offering has. In the latter case, the offering must be perceived as superior to the competitor’s offering in delivering the specific benefit.\(^{301}\)

The interviewed experts share the opinion that benefits need to be perceived as unique and superior by the newly targeted market segment:

> “The key success factor [in targeting a new market segment] is to provide a benefit that is perceived to be relevant and is sought by the consumer. On top of that, you need to have a benefit that is unique. The benefit can clearly be utilized by competitors’ offerings as well; however, it is important that the offering conveys the benefit in a unique and favorably perceived manner.”\(^{302}\)

Entering the cruise market in 2009, *TUI Cruises* faced the competitors *Hapag Lloyd* and *Aida Cruises*. *Hapag Lloyd* provides very exclusive cruises and *Aida Cruises* has introduced the non-traditional cruise that provides active and casual holidays for cruise travelers. *TUI Cruises* could differentiate itself by promoting individuality. Cruises are associated with conformity and close interactions with other passengers. Fixed seating arrangement force travelers to sit and spend time with other passengers. Animation programs bring passengers together. On *TUI Cruise*’s *Mein Schiff*, passengers can take time for themselves and feel and live their individuality. Instead of queuing in line at the buffet, passengers can order their personal menu in the restaurant. They can book their personal ‘*spa suite*’ within the spa area and have the possibility to relax in private ‘*relaxation areas*’ on the pool deck. There are no fixed mealtimes, no seating

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\(^{299}\) Carpenter and Nakamoto (1989), pp. 286-288  
\(^{300}\) Kardes et al. (1993), pp. 68-72  
\(^{301}\) Carpenter and Nakamoto (1990), pp. 1270-1271; Dickson and Ginter (1987), p. 4  
\(^{302}\) Expert interview [44], FrieslandCampina (Döffinger)
arrangements and no dress code. On shore excursions, passengers can also take their personal guide and individually discover cities, cultures and nature.\textsuperscript{303}

3.3.3 Establish Emotional Attachments

\textit{Identification of purchase drivers and bundling of emotional and functional benefits:} Experts also differentiate between different types of benefits and categorize them broadly into functional and emotional benefits. Some of the experts state that emotional benefits in general and the combination of functional and emotional benefits as a bundle are superior to functional benefits. Emotional benefits lead to stronger associations and perceived uniqueness. In addition, it is more difficult to imitate and draw on the same emotional benefit as competitors.\textsuperscript{304} One expert emphasizes brain research concluding that 95\% of all human decisions are based on unconscious, emotional criteria; only 5\% of all decisions are made consciously and rationally.\textsuperscript{305} Deeply anchored heuristics guide consumers in purchase decisions. Accordingly, marketers need to identify central, emotional purchase drivers and understand cause and effect chains in consumer decision-making.\textsuperscript{306} For instance, \textit{Langnese-Iglo} entered the premium household tub ice cream segment in Germany in the early eighties, facing \textit{Mövenpick} as the market leader in this segment, who provide superior ice cream quality in combination with pieces of nuts, chocolates and fruits. Identifiable fruit pieces, nuts and chocolate chunks were unknown to German consumers before the introduction of \textit{Mövenpick}’s offering. \textit{Langnese-Iglo} has tried to attack \textit{Mövenpick}’s position within this market segment several times with different brands, ranging from \textit{Langnese Superb} in 1980, \textit{Maxim’s} in 1982, \textit{Carte D’Or} in 1989 and \textit{I’Cestelli} in 1993. However, none of the brand concepts were able to seriously attack \textit{Mövenpick}’s position. The concepts were rather perceived as ‘me-too’ products of \textit{Mövenpick}. In 1998, \textit{Langnese-Iglo} started another attempt with the introduction of \textit{Langnese Cremissimo}. The aim was to develop an offering that was differentiated from \textit{Mövenpick}, perceived as more relevant than \textit{Mövenpick} and identified as the best alternative within the market segment. \textit{Langnese-Iglo} focused on the emotional benefit of indulgence, as well as the ‘reason why’ of creaminess, and used these in all their marketing mix relevant activities to full advantage. The indulgence benefit and the ‘reason why’ of creaminess were perceived as highly relevant. \textit{Mövenpick}’s factual benefits of overall quality, different and special occasion varieties and pieces of nuts,

\begin{itemize}
\item \textsuperscript{303} Expert interview [50], Tui Cruises (Behrens)
\item \textsuperscript{304} Expert interview [30], Mayer de Groot Marketing Research and Consult (Mayer de Groot)
\item \textsuperscript{305} Expert interview [30], Mayer de Groot Marketing Research and Consult (Mayer de Groot)
\item \textsuperscript{306} Expert interview [30], Mayer de Groot Marketing Research and Consult (Mayer de Groot)
\end{itemize}
chocolate and fruits became standard and prerequisite within the segment over time. They did not provide a source of differentiation and uniqueness anymore. Langnese-Iglo was able to double their market share within the first two years of the product’s launch and became segment leader in 2001 by dominating two key market drivers.307

3.4 Credibility

Consumers evaluate an offering as a cumulative bundle of past and present information, associations and experiences that they have made and make with the offering itself and the source of the offering.308 The perceived credibility of the source plays a major role when consumers evaluate an offering. High credibility increases an offering’s persuasiveness and influences changes in beliefs, attitudes and behaviors of the audience.309 Establishing credibility is particularly important for consumers who are confronted with an offering from a source that has not actively targeted the segment before.

Credibility is defined as a consumer’s perception of the truth of a piece of information.310 It is a means with which to rate the source of the information in relation to the information itself, thereby attributing truth and substance to the provided information.311 Credibility refers to the believability of a source’s intentions and consists of the components of trustworthiness and expertise.312 Credibility in this context can, therefore, be defined as the believability of the information associated with a source’s offering, which requires consumers of a newly targeted market segment to perceive expertise (‘the source knows the truth and is able to deliver what is promised’) and trustworthiness (‘the source tells the truth and is willing to deliver what is promised’).

The perceived expertise and trustworthiness of a source are cumulative associations and experiences resulting from past and current marketing stimuli.313 Marketing stimuli, such as product features, price and specific sales channels, signal information about the benefits of an offering and its quality and provide clues about its positioning.

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307 The Langnese example is based on expert interview [30], Mayer de Groot Marketing Research and Consult (Mayer de Groot) and Bönisch et al. (2002), pp. 78-83
309 Please refer to Pornpitakpan (2004) for comprehensive review on the persuasiveness of source credibility
310 Eisend (2006), p. 2
311 Eisend (2006), p. 2
313 Erdem and Swait (1998), pp. 135-136
and about the source itself as well.\textsuperscript{314} In this regard, Erdem and Swait (1998) provide evidence that the credibility of a source is higher for brands with higher marketing program consistency.\textsuperscript{315} Consistency relates to the harmony and convergence among marketing activities and the stability of marketing program strategies and attribute levels over time.\textsuperscript{316}

Credibility plays an extraordinarily important role when a company targets a new market segment. Newly targeted consumers may have specific associations attached to the source based on the perceived stimuli targeted at other market segments in the past. Even if not actively targeted, it can be assumed that these consumers have been confronted with these marketing stimuli. An adapted marketing program might not be consistent and coherent with the previously established associations and newly targeted consumers may question the offering’s credibility. The disruption of consistency requires companies to quickly build up credibility and prove their expertise and trustworthiness. In extreme cases, newly targeted consumers can have no associations at all attached with the source since they may have not interacted with the source before. Under these circumstances, the source needs to create credibility from scratch by demonstrating its expertise and trustworthiness.

The interviewed experts mention that the establishment of credibility is a major success factor in targeting a new market segment. They also emphasize the need to and difficulty in dealing with disruptions to consistency. On the one hand, the newly targeted consumer must feel valued and see the company’s effort to cater to his or her very specific needs. Consumers recognize very fast if an offering “[…] is rather a marketing gag”\textsuperscript{317} and “a bluff”.\textsuperscript{318} Barely adapted offerings are not believable, as consumers are critical and feel that companies often “[…] try to sell promises which cannot be upheld.”\textsuperscript{319} On the other hand, offerings that are perceived to be very different from existing offerings may also lack credibility and backfire as “[…] consumers do not believe that a company can satisfy very different needs.”\textsuperscript{320} Experts underline the importance of establishing (1) source expertise and (2) trustworthiness to increase perceived credibility (see Figure 3-6).

\begin{itemize}
\item \textsuperscript{314} Please refer to Kirmani and Rao (2000) for a comprehensive review on signaling effects of marketing stimuli
\item \textsuperscript{315} Erdem and Swait (1998), p. 142
\item \textsuperscript{316} Erdem and Swait (1998), p. 137
\item \textsuperscript{317} Expert interview [38], Gutfried (Stenske)
\item \textsuperscript{318} Expert interview [51], Generali (Baumann)
\item \textsuperscript{319} Expert interview [38], Gutfried (Stenske)
\item \textsuperscript{320} Expert interview [37], anonymity guaranteed
\end{itemize}
3.4.1 Establish Source Expertise

**Fit of source’s competence:** A company and its brand must be able to credibly address the target segment’s needs and deliver the promised benefit. For this reason, “[…] companies must ask themselves whether a brand fits with the new target segment.”\(^{321}\) An established brand has built up awareness in the past and stands for specific values, benefits and products. “The brand can, of course, be dynamically developed and cultivated but you need to be close to the brand’s competence and its goodwill.”\(^{322}\) The brand *Bonduelle* is closely associated with the product category of tinned vegetables, alongside its quality and convenience. In targeting a younger market segment that wants to eat fresh vegetables, *Bonduelle* started to market fresh cut salads in bags. *Bonduelle* was able to establish a fit between the brand, its new market segment and the new offering by relating to its high quality standard and focus on convenience.\(^{323}\) Similarly, *Dextro Energy* was able to establish credibility among consumers of the newly targeted segment of endurance athletes. *Dextro Energy* is primarily associated with energy and increasing mental performance. These associations are closely related to the benefit of increased physical performance, the benefit conveyed to the new target segment. By focusing on its core value of performance, its sport nutrition line

\(^{321}\) Expert interview [36], Bonduelle (Kuhnle)

\(^{322}\) Expert interview [36], Bonduelle (Kuhnle)

\(^{323}\) The Bonduelle example is based on expert interview [36], Bonduelle (Kuhnle)
not only benefits from the brand’s goodwill; it also further advances the brand’s competence.\textsuperscript{324}

\textbf{Use of endorsements:} Companies can increase credibility by means of endorsement, such as through partner brands, labels, test persons and celebrities, which increase the source’s expertise. “Transparency is extremely important when new market segments are targeted. As consumers simply do not want to invest time to deeply deal with different brands and offerings in detail, endorsements can help to overcome consumer skepticism.”\textsuperscript{325}

\textit{Sennheiser} knew that it had developed the best headphones on the market for people who like to listen to music when they do sports. The headphones are water and sweat resistant, are extremely durable, have a special holding system and an energizing sound. However, being aware that the brand missed the sports competence and being unable to build it up credibly, \textit{Sennheiser} branded and marketed the product in alliance with \textit{Adidas}. In this way, perceived expertise could be established among consumers of the newly targeted market segment.\textsuperscript{326}

\textit{Frosta} established the ‘\textit{Frosta purity requirements’}, which guarantee that all \textit{Frosta} meals are free from artificial flavors, artificial dyes, flavor enhancers, emulsifiers, stabilizers and chemically modified starch. This approach was very much appreciated by NGOs and opinion leaders such as \textit{Foodwatch} and other consumer advocacy groups and enabled \textit{Frosta} to receive positive press and credibility among consumers.\textsuperscript{327} Furthermore, \textit{Iglo} enables its consumers to check where the purchased vegetables were grown. By entering a code printed on the package into a website, consumers can retrace the farmer and specific field from which the spinach was harvested.\textsuperscript{328} \textit{Fissler}, the cookware producer, tried to prove its expertise and trustworthiness by providing fifty readers of the cooking magazine \textit{Lecker} with its new product. Those readers tested the product, evaluated it according to specified criteria and blogged about their experiences. The test results were published in a series of three magazines. In this way, credibility was endorsed by independent test users.\textsuperscript{329}

When \textit{Henkel}, the producer of detergents and cleaners, started to target consumers who are environmentally conscious but who also strive for a hedonistic lifestyle, its newly introduced brand \textit{Terra Activ} had challenges in reaching the expected sales levels.

\textsuperscript{324} The Dextro Energy example is based on expert interview [41], Dextro Energy (Ehrenbeck)
\textsuperscript{325} Expert interview [29], Zukunftsinstitut (Köhler)
\textsuperscript{326} The Sennheiser example is based on expert interview [47], Sennheiser (Sennheiser)
\textsuperscript{327} The Frosta example is based on expert interview [49], Frosta (Ehlers)
\textsuperscript{328} The Iglo example is based on expert interview [45], Iglo (Erler)
\textsuperscript{329} Expert interview [46], Fissler (Loges)
However, as soon as Esther Schweins, a German model and actress, endorsed the brand *Terra Activ* in advertisements, the brand’s credibility increased and the offerings were adopted by the newly targeted market segment.  

### 3.4.2 Establish Trustworthiness

**Believable communication:** A credible source is necessary to market an offering to a new market segment, but it is not a guarantee for success. The message sent to the new market segment must be transmitted authentically and credibly: “[y]ou need to address the market segment specifically. Uniform messages, which anybody and nobody can refer to, do not help.”  

“They [the consumers of the newly targeted segment] must feel that they are treated differently. It is necessary to communicate to the new market segment in a way that they feel appreciated and taken seriously.”  

It is one thing to convey the relevant benefit, but the execution of the message is equally important: “[i]t is not only important what you say but also how you say it.”  

The tonality and the creative execution of communication play extraordinary roles in creating perceived credibility. For instance, a big German tour operator started to target gay travelers and developed an attractive travel package to the *Gay Games* of 2002 in Sydney, consisting of transport, accommodation, tickets and additional events. However, in its communication, the tour operator used all the imaginable clichés attached to gay consumers, such as naked bodies, waving rainbow flags, red ribbons and the color pink. Although it had the right product, the gay consumers did not believe that the tour operator could have the expertise to organize a gay travel package as its communication was simply not authentic and credible.

**Credible delivery of promises and interaction:** The promises made by an offering or company must be kept in order to win consumers of a new market segment sustainably. Credibility must not only be perceived initially, but trustworthiness and expertise must also be proven during and after the purchase of the company’s offering. Perceived expertise and trustworthiness play important roles in the interaction at the point of sale with the customer. This is especially true for services and durable goods:

“[T]o win a customer sustainably, communication can be as good as possible but the promise needs also to be delivered. A sales agent is generally more believable if she or he experiences the customers’

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330 The Terra Activ example is based on expert interview [29], Zukunftsinstitut (Köhler)
331 Expert interview [51], Generali (Baumann)
332 Expert interview [25], Grohe (Fischer)
333 Expert interview [38], Gutfried (Stenske)
334 Expert interview [37], anonymity guaranteed
problems at first hand. A female customer may perceive a female sales agent as more trustworthy when she considers an insurance covering female specific illnesses such as breast cancer."335

If a product is specifically developed for a certain market segment but marketed via classical channels, its perceived credibility may be reduced. Sennheiser sets its focus in marketing communication at the point of sale. “[I]f you have a fashion or sport product and you market it at Media Markt, you won’t get anywhere with that.”336 Hence, the atmosphere at the point of sale itself and the experiences made during the purchase must be consistent with the expectations of consumers; otherwise, consumers perceive a lack of credibility and do not believe that promises can be kept. A worldwide active cosmetics and perfume producer provides retailers with point of sales packages and a so-called sell-out crew when introducing offerings for new market segments. The point of sales package includes recommendations for shelf design, sales materials and displays. The sell-out crew consists of trained salespersons that join the retailer for a few days and train the retailer’s salespeople on how to sell the product to the market segment in question. The cosmetics and perfume producer ensures that the product is sold in a consistent manner, particularly as it was marketed via mass media.337

Reduction of cognitive dissonances: “It is important to reduce cognitive dissonances immediately” as consumers match their consumption experience with their expectations.338 TUI Cruises tries to reduce cognitive dissonances by delivering promised benefits instantaneously: as soon as the passenger comes onboard the Mein Schiff service. “The passengers should right away tell themselves that they have made the right choice.”339 The check-in procedure is very fast to reduce waiting times. A welcome package with a rose and deck plans make the passengers feel comfortable. The proportion of families who go on a cruise for the first time is extremely high at Mein Schiff. Being used to hotel rooms, the 17 square meter cabin can be perceived as very small. However, the focus on small details, such as putting on Capt’n Sharky bedding for children, makes the passengers extremely happy with their choice.340

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335 Expert interview [51], Generali (Baumann)
336 Expert interview [47], Sennheiser (Sennheiser)
337 Expert interview [24], anonymity guaranteed
338 Expert interview [50], Tui Cruises (Behrens)
339 Expert interview [50], Tui Cruises (Behrens)
340 The TUI Cruises example is based on expert interview [50], Tui Cruises (Behrens)
3.5 Summary

The goal of this section was to explore the main requirements a marketing program needs to fulfill, in order to yield positive responses by consumers of a newly targeted market segment. A new marketing program needs to establish awareness, availability, a perceived advantage and credibility. A summary of the findings is depicted in Figure 3-7.

**Figure 3-7: Overview of the requirements**

<table>
<thead>
<tr>
<th>Source Expertise</th>
<th>Awareness</th>
<th>Word-of-Mouth</th>
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<tbody>
<tr>
<td>Fit between offering and source competences</td>
<td>Increased, continuous and frequent media pressure</td>
<td>Involvement of opinion leaders and ambassadors</td>
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<tr>
<td>Use of endorsement to convey expertise</td>
<td>Attention capturing communications</td>
<td>Use of segment-specific BTL activities</td>
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<th>Trustworthiness</th>
<th>Presence</th>
<th>Presentation</th>
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<tr>
<td>Believable communication</td>
<td>Segment-specific distribution channels</td>
<td>Segment-specific presentation at the POS</td>
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<tr>
<td>Credible interaction with target segment</td>
<td>Segment-specific channel partners and salespersons</td>
<td>Innovative POS concepts</td>
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<tr>
<td>Reduction of cognitive dissonances</td>
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<tr>
<th>Relevance</th>
<th>Uniqueness</th>
<th>Emotional Attachment</th>
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<tbody>
<tr>
<td>Relevance and sustainability of benefits</td>
<td>Uniqueness of benefits</td>
<td>Bundling of functional and emotional benefits</td>
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<tr>
<td>Concretization of benefits</td>
<td>Superiority of benefits</td>
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<td>Focus on main benefits</td>
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<tr>
<th>Reach</th>
<th>Exposure</th>
<th>Credibility</th>
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<tr>
<td>Segment-specific communication channels</td>
<td>Increased, continuous and frequent media pressure</td>
<td>Stable, believable, credible</td>
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<td>Far-reaching channels and acceptance of wastage</td>
<td>Attention capturing communications</td>
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<td>Use of POS for segment-specific communication</td>
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Successful Marketing Program for New Target Segment

Relevance

- Relevance and sustainability of benefits
- Concretization of benefits
- Focus on main benefits

Uniqueness

- Uniqueness of benefits
- Superiority of benefits

Emotional Attachment

- Bundling of functional and emotional benefits

Perceived Advantage

- Source Expertise
- Trustworthiness

Awareness

- Credibility
- Availability

Presence

- Segment-specific presentation at the POS
- Innovative POS concepts

Reach

- Exposure
- Word-of-Mouth

Figure 3-7: Overview of the requirements
4 The Adaptation of Marketing Program Components

In the previous chapter, I revealed the requirements that a marketing program must fulfill to yield positive responses from the new target segment. In this chapter, I will explore the options that companies have in adapting the individual components of a marketing program for a new target segment. On the basis of the identified marketing program components, their adaptation elements and the resulting adaptation possibilities (see Section 2.3), I conducted expert interviews to identify the options that companies have when they adapt the components of marketing programs.\textsuperscript{341} Companies may need to adapt the individual components intensely or only marginally to achieve the requirements for a successful marketing program (i.e. awareness, availability, perceived advantage and credibility). In the first part of this chapter, I describe how the characteristics of a new target segment influence the intensity with which a company needs to adapt an existing marketing program for a new target segment (see Figure 4-1). I then explore how companies adapt the individual components of a marketing program. More specifically, I introduce various adaptation options within the individual components of a marketing program and conclude the situations in which the various options are most effective.

Figure 4-1: Conceptual framework

\textsuperscript{341} For the list of expert interviews that were held in research phase II, please refer to Appendix A.
4.1 The Primary Determinants of Adaptation Intensity

4.1.1 The Segment-Program Fit

The starting point of all adaptation considerations should be the existing marketing program and the question as to why the newly targeted consumers have not previously purchased and consumed a company’s offering. A marketing program must ensure that the newly targeted consumers are aware of the offering, the offering is available to the new target segment, the new target segment perceives an advantage over the competitors’ offerings and that the advantage is credibly communicated and delivered (see Chapter 3). An existing marketing program might not fulfill these requirements. A company should overcome the purchase barriers by adapting the existing marketing program.

A close examination of the new target segment is required in order to identify the purchase barriers and to explore the factors that drive consumption choices. A company should, therefore, investigate the following characteristics of the new target segment:

- the media usage and shopping behavior of the market segment
- the benefits that the market segment seeks
- the attitude (product-related psychographics) of the market segment towards an existing offering
- the demographic characteristics of the market segment
- the cultural characteristics of the market segment
- the socio-economic characteristics of the market segment
- the psychographic characteristics of the market segment

A company should assess the media and shopping behavior of the newly targeted consumers. It must establish the availability and awareness of the offering for the new target segment. It needs to identify the communication and distribution channels with which it can reach the segment to ensure segment-specific market coverage. A company should, therefore, investigate whether the communication and distribution channels it currently utilizes fit with the channels used by the new target segment. A discrepancy between them can reveal purchase barriers. A company should also investigate which benefits consumers seek when they acquire, consume or use a specific offering. The new target segment can have very specific needs and consumption motives or can use a product for very specific purposes and on specific occasions. An assessment of the existing marketing program’s ability to convey and
deliver the benefits that the market segment seeks is necessary and can reveal discrepancies. The components of the marketing program should be adapted so that they are able to satisfy the relevant needs and deliver the desired benefits of the new target segment.

A company should assess the attitudes that newly targeted consumers attach to the brand of an existing offering. The attitudes towards a brand, its positioning and products are strong indicators for the adoption of an offering.\textsuperscript{342} A favorable attitude towards a brand increases its perceived credibility and the adoption of an offering. Consumers develop a favorable attitude when a company addresses the segment in a distinctive and appropriate manner. Consumers with a favorable attitude towards a brand believe that the brand is capable of satisfying their needs. A company may use a different brand if the target segment has an unfavorable attitude towards an offering’s existing brand.

The \textit{demographic characteristics} of the new target segment can influence the purchase and consumption of an offering. Demographic characteristics of a segment include age, gender, residence and way of life with respect to partnership and household size.\textsuperscript{343} Consumers may associate a brand with a specific gender or age class. The demographic characteristics associated with a brand may result in favorable or unfavorable attitudes towards the brand. A company can adapt a brand to prevent negative or stereotypical inferences. The product concept, distribution channels and marketing communication can also be the subject of adaptation. Women and men heavily deviate in the way they use products, their sense of aesthetics and in the benefits that they seek from a product, as well as in their shopping and media behaviors.\textsuperscript{344}

The \textit{cultural characteristics} of the new target segment can have an impact on the purchase and consumption of an offering. A company should examine which components of the marketing program it should adapt to comply with the segment’s cultural specificities. The embedded values, enduring beliefs, norms, habits, language and religion of the new target segment can influence a segment’s attitude, behavior and the benefits it seeks.\textsuperscript{345} Targeting a segment with a specific cultural background can require minor or substantial adaptations to a marketing program. The consumption rules, duties and habits of a specific culture heavily influence product choice and set requirements on product ingredients. Segments with a specific cultural background

\textsuperscript{342} Freter (2008), pp. 147-152
\textsuperscript{343} Freter (2008), p. 98
\textsuperscript{344} Expert interview [28], Bluestone (Jaffè); expert interview [33], FrischCo. (Kreienkamp)
\textsuperscript{345} Arnould et al. (2004), pp. 73-74
may also have a very special sense of aesthetics that may need to be reflected in the product concept and marketing communication. Cultural peculiarities, language and media usage also need to be regarded when a segment is addressed. A company may also need to adapt its distribution channels in these circumstances, as ethnic minorities often use specific and small retail shops.346

The socio-economic characteristics of the new target segment may also determine a segment’s consumption choices. A consumer’s income and wealth influence their consumption behavior. A consumer’s wealth level is associated with their spending power, willingness to pay and their acceptance levels of prices.347 While some market segments only buy an offering when it is perceived to be expensive, other segments may only accept a price that is low. A company can also examine whether psychographic characteristics influence the adoption of an offering. Psychographics refer to the target segment’s lifestyle as reflected in the segment’s values, activities, interests and opinions.348 The lifestyle of a market segment may indicate where the consumers of the segment shop, what they like to shop for and how they can be addressed with marketing communication.

The characteristics of a segment influence its consumption choices and can explain why newly targeted consumers have not purchased an existing offering. A company that targets a new market segment should, therefore, investigate the fit between the new target segment and the existing marketing program. More specifically, it should examine the characteristics of the market segment and evaluate to what extent an existing marketing program fits with the target segment. I refer to the evaluation of the fit between the new target segment and an existing marketing program as the ‘segment-program fit’. An evaluation of the ‘segment-program fit’ enables a company to identify which components of an existing marketing program to adapt and to what extent they should be adapted. A high ‘segment-program fit’ usually indicates a low adaptation intensity of an existing marketing program and a low ‘segment-program fit’ requires a high adaptation intensity of an existing marketing program (see Figure 4-2).

346 Expert interview [27], Beys (Gözüakça)
347 Freter (2008), p. 127
348 Novak and MacEvoy (1990), p. 105
4.1.2 Drivers of the Segment-Program Fit

4.1.2.1 Segment Distance

Based on the fact that the existing marketing program is adapted towards the characteristics of an existing target segment, the distance between the new target segment and the existing segment in purchase-relevant characteristics primarily determines the ‘segment-program fit’. Figure 4-3 provides an illustrative example with three scenarios and exemplifies differing segment distances along two hypothetical segment characteristics. An existing reference target segment and the new target segment are mapped with their respective ideal offerings along the two purchase-relevant characteristics. While in scenario A the segment shows a high distance with respect to the distinctiveness of the segment’s characteristics, the distance in scenario B is smaller and in scenario C the segments are actually very close. As the distance in the purchase-relevant characteristics is smallest in scenario C, it is assumed that the existing offering better matches the new segment’s requirements towards the offering in comparison with the other scenarios. Hence, the lower the segment distance, the better the fit of the new target segment with the existing marketing program.
4.1.2.2 Segment Specificity

A company can follow various targeting strategies. The marketing literature distinguishes targeting strategies along the strategy’s aggregation or specificity level. The degree of segment specificity describes the concentration and number of segment members within a segment, where one individual is a highly aggregated segment to non-aggregated markets where no differentiation among customers is undertaken (see Figure 4-4). Segments diverge in their level of aggregation and specification. Highly aggregated and specified segments discriminate consumers along a variety of very concrete characteristics, resulting in small segments. Less aggregated and specified segments are bigger and are based on more general characteristics, comprising a higher number of consumers.

Figure 4-4: Segment aggregation levels

Segments can be described along very few or numerous characteristics; they can be defined broadly or very specifically. The more concretely a segment is characterized,
the more important certain segment characteristics become. A segment characterized as sporty is less specific than a segment characterized as female tennis players, which in turn is less specific than a segment described as young, female tennis players who compete in tournaments. The more specifically a segment is described, the smaller the segment becomes and the more concrete the marketing program can and needs to be adapted. A highly specific segment imposes very special requirements on a marketing program that an existing program cannot adequately match. Hence, high segment specificity usually indicates less fit between the specific new target segment and the existing marketing program.

4.2 Adaptation Options for the Marketing Program Components

Companies need to adapt the individual components of a marketing program in accordance with the new target segment’s characteristics. In the following section, I present the adaptation options for the marketing program components that I derived from the expert interviews. The adaptation options are illustrated with the examples that the experts referenced. I also explain when a company should select a specific adaptation option. Based on the fit between the characteristics of the new target segment and the existing marketing practices, I conclude which adaptation option seems most appropriate. Figure 4-5 provides an overview of the identified adaptation options and their associated intensity levels.

Figure 4-5: Framework of adaptation options for the marketing program components
4.2.1 Adaptation Options of the Brand

A company needs to decide whether to brand the offering for the new target segment under the same brand (i.e. the parent brand), an independent brand or a combination of both (see Section 2.3.1). The expert interviews I held revealed five different approaches that a company can follow when it brands an offering for a new target segment. A company can brand the offering:

- under the *same brand* (i.e. the parent brand)
- as a *sub-brand* of an existing brand
- as a *co-brand*, combining two different parent brands
- as an *endorsed* brand with the endorsement of an existing brand
- as an *independent brand* without any endorsement from an existing brand

*Figure 4-6* presents the branding options along the continuum of horizontal adaptation intensity, ranging from no adaptation to high adaptation intensity.

*Figure 4-6: Adaptation options for the brand*

Following a normative perspective, a company would need to establish a brand in the marketplace that transfers the desired identity of the brand and elicits positive and favorable associations that are in accordance with the brand’s positioning. However, companies usually already have established brands in the marketplace and the creation of a new brand is costly. A company can benefit from synergies when it uses an existing brand. “It is assumed that brands which are already known and recognized require less new product introduction expenses such as advertising, trade deals, or price promotions.”

A company can profit from established awareness when it uses an existing brand. However, the use of an existing brand is also coupled with restrictions and potential negative consequences. A thorough examination of the new target segment’s attitude

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350 Belz (2006), pp. 76-77
351 Völckner and Sattler (2006), p. 18
towards the existing brand is required. Research provides evidence that brand extensions are only deemed successful when consumers perceive a fit between the associations of the parent brand and the newly introduced offering.\(^{352}\) Hence, an established brand must be able to convey credibly the benefits that the new target segment seeks. Extensions can fail when the associations linked to the parent brand do not fit with the offering for the new target segment. Instead of providing ‘goodwill’, the parent brand transfers irrelevant associations or even ‘badwill’.\(^{353}\) In addition, the introduction of an offering under an existing parent brand may not succeed due to negative effects on the image of the parent brand. The extension may deteriorate the parent brand, dilute the parent brand or transfer negative associations.\(^{354}\)

A company should provide the consumers of a new market segment with a brand that transfers the benefits in such a way that it is perceived as favorable over the competitors’ brands. The new target segment should have a positive and favorable attitude towards the brand of the offering and a company needs to decide whether an existing brand in its portfolio is suitable to serve the segment. In cases where a company does not possess a brand that is able to convey suitable associations, it should create a new brand. The use of a new brand prevents the transfer of negative or inappropriate associations. Based on the fit between the existing, actual and ideal images of a brand, a company should pursue one of the suggested adaptation options (see Figure 4-7).

\(^{352}\) Broniarczyk and Alba, 1994, pp. 226-227; Tauber, 1981, p. 38; Tauber, 1988, p. 28
4.2.1.1 Parent Brand Strategy: No Adaptation

In the parent brand strategy, the company uses an existing brand for the offering in the new market segment. This strategic option, which is congruent with the concept of the branded house developed by Aaker and Joachimsthaler (2000), follows the notion that the parent brand serves as the dominant driver and umbrella brand of the various offerings across different segments. Various authors assign this option with the advantages of clarity, synergy and leverage. However, the option also encompasses the difficulty of maintaining a distinctive image. Kapferer (2004) refers to the ‘rubber band effect’ and explains that an over-stretched parent brand loses force, just like an over-stretched rubber band. He concludes that the offerings that a company brands under an umbrella brand suffer in their distinctiveness and ability to compete with specialist brands. As the parent brand strategy is based on goodwill transfer, it is also possible that negative associations are transferred. Sullivan (1990) provides evidence for negative spillover effects between products under the same parent brand, as an accident occurring with one product affects other products under the parent brand.

Companies that target a new market segment should pursue the parent brand strategy when the new target segment’s attitudes are favorable towards the brand. For example, Beate Uhse, the adult lifestyle retailer and e-commerce company, has traditionally focused on the market segment of men. The retail stores, catalogues and the online shop are branded under the Beate Uhse brand in Germany and Eastern Countries. Beate Uhse chose the parent brand option in its pursuit to target women in Germany a few years ago. Women know the brand and have a favorable attitude towards it. The brand Beate Uhse stands for quality and openness towards sexuality, partly due its founder Beate Uhse, who opened up the first sex shop in the world with the purpose of educating and improving sexuality and eroticism. Following the parent strategy, coupled with a new store concept, was indeed successful as women are now a substantial part of their customer base. In the new concept stores of Beate Uhse, 20 to 30 percent of their customers are women, 10 to 20 percent are male and approximately 60 percent are couples.

355 Aaker and Joachimsthaler (2000), pp. 15-16
357 Aaker and Joachimsthaler (2000), p. 15
358 Kapferer (2004), p. 303
359 Kapferer (2004), p. 303
360 Sullivan (1990), pp. 325-326
361 The Beate Uhse example is based on expert interview [35], Beate Uhse (Tschernookoff)
4.2.1.2 Sub-brand Strategy: Low Adaptation

Sub-brands are closely connected to the parent brand. The parent brand is the primary point of reference and the driver of the brand. Additional branding elements stretch and extend the parent brand, allowing it to be augmented or modified.\(^{362}\) A sub-brand strategy facilitates the transfer of positive and favorable beliefs to the new offerings. The use of a sub-brand also enables a company to differentiate an offering on a few dimensions and give it the necessary edge.\(^{363}\) According to Rajagopal and Sanchez (2004), sub-brands allow a company to stretch business activities across products and markets, leverage existing brand equity, protect brands from being diluted by over-stretching them and signal that an offering is new and different.\(^{364}\) However, the risk of the transfer of negative association still exists due to the prominence of the parent brand.

A sub-brand strategy requires low adaptation of the brand. The option is suitable when the parent brand provides a fruitful ground from which to establish the offering in the new market segment. Consumers need to be aware of the parent brand and have a favorable attitude towards it. The sub-branding strategy is an attractive option for companies that can benefit from a strong, suitable parent brand but still want to sharpen the offering for the new market segment. Dextro Energy, for instance, uses the sub-brand Dextro Energy Sports Nutrition to target endurance athletes. It can therefore benefit from the favorable attitude that the new target segment attaches to the parent brand while also conveying a more distinctive brand image. Consumers attach the association of mental energy and performance to the parent brand. The sub-brand Dextro Energy Sports Nutrition extends the core brand message of mental performance to physical performance. The sub-brand strategy enables Dextro Energy to strengthen the parent brand and its image as an energy provider.\(^{365}\) Deviating from its core segment of families, Iglo introduced the sub-brand Iglo Omega 3 fish sticks. The brand Iglo stands for best quality, best taste and natural freshness. The sub-brand enriches these associations with health and wellbeing. Iglo’s sub-brand strategy has proven successful: the Iglo Omega 3 fish sticks received acceptance from the newly targeted customers.\(^{366}\)

\(^{362}\) Aaker and Joachimsthaler (2000), p. 14
\(^{363}\) Milberg et al. (1997), p. 125
\(^{364}\) Rajagopal and Sanchez (2004), p. 237
\(^{365}\) The Dextro Energy example is based on expert interview [41], Dextro Energy (Ehrenbeck)
\(^{366}\) The Iglo example is based on expert interview [45], Iglo (Erler)
4.2.1.3 **Endorsed Brand Strategy: Moderate Adaptation**

In the endorsed brand strategy, an independent brand is coupled with a parent brand. However, in contrast to the sub-brand strategy, the dominance of the parent brand is much weaker. The primary driver is the independent brand; the parent brand usually only plays a minor role.\(^{367}\) The endorsement of the parent brand endows the offering with substance and credibility, but its deeper meaning and identity stem from the independent brand. The endorsed brand strategy allows the offering to further deviate from the parent brand’s core and elicit associations, which would have not been possible with a dominant parent brand.

In the endorsed brand strategy, reciprocal effects between the parent and the child still exist but to a lesser degree. *Wrigley*, for instance, targets its new market segment of consumers with young, urban and prestige-seeking lifestyles with a brand that little relates to the other brands in its portfolio, such as Airwaves, Extra or Orbit. As per the other brands, the newly introduced brand *5 GUM* is weakly endorsed by the corporate brand *Wrigley*. A new brand for the segment that could be built from scratch was required as *5 GUM* provides a new benefit within the chewing gum category. The transfer of associations attached to other *Wrigley* brands is avoided. A direct reference to them would have been counterproductive and weaken the new, innovative and unique offering. The corporate brand is printed on the packaging. In this way, *Wrigley* is able to convey a distinctive brand image for the offering but can also benefit from the awareness, credibility and quality cues associated with its corporate brand.

4.2.1.4 **Co-Brand Strategy: Partial Adaptation**

In the co-branding strategy, two parent brands combine. Each parent brand can serve as a component, ingredient or endorser in the sense that one parent brand can be more dominant than the other.\(^{368}\) In the co-branding strategy, a company can source from two different brand’s images. Complementary brand images allow the leveraging and combination of the positive, relevant and favorable associations of the two different parent brands.\(^{369}\) A company can reduce the efforts coupled with the creation of additional associations, as in the case of the sub-brand and endorsed brand strategies. A co-branding strategy is especially desirable when the partner has already established its brand in the targeted market segment. However, co-branding also bears risks.\(^{370}\)

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\(^{368}\) Aaker and Joachimsthaler (2002), p. 141  
\(^{369}\) Aaker and Joachimsthaler (2002), p. 141-142  
\(^{370}\) Aaker and Joachimsthaler (2002), p. 142
Negative perceptions of the partner brand may be transferred to the parent brand. Co-branding incorporates higher complexity as it requires the coordination of business across two different companies. A company should pursue a co-branding strategy when two parent brands perfectly complement each other on brand image dimensions. The associations that consumers attach to the individual brands collectively create a favorable and superior brand image. For instance, Sennheiser used a co-branding strategy to target the segment of sport athletes who like to listen to music when doing sports. While Sennheiser is associated with the best sound and high quality, its image lacks associations with sportiness. In order to tackle the segment, Sennheiser established a partnership with Adidas to benefit from its sport image. The dominance of the two parent brands is equally shared between Sennheiser and Adidas. The associations attached to Sennheiser and Adidas pay into the sport headphone equally. Accordingly, the packaging and the product provide cues to the Adidas brand and the Sennheiser brand evenly.371

4.2.1.5 Independent Brand Strategy: High Adaptation

The independent brand strategy follows the principle of avoiding any linkage to the parent brand.372 The associations attached to the parent brand would harm and be counterproductive for the offering targeted towards the new market segment. The benefits of the established awareness levels of the parent brand are outweighed by an unfavorable attitude towards the brand by the new market segment. The use of an independent brand allows a company to distinctively position its offering in the market segment, to signal breakthrough advantages, to avoid compromises and to connect the brand with very specific associations.373 A company should select an independent brand strategy when the image of the parent brand is unfavorable. For instance, Lorenz Bahlsen Snack-World has implemented an independent brand strategy for its new target segment. In the product category of potato chips, Lorenz Bahlsen Snack-World is known for its brand Crunchips. The brand Crunchips is positioned as a vibrant party brand that consumers snack on in a social context. In its pursuit to target potato chips at consumers who snack responsibly, care for food and snack individually to reward themselves, Lorenz Bahlsen Snack-World established the new brand Naturals. The

371 The Sennheiser example is based on expert interview [47], Sennheiser (Sennheiser)
introduction of a new brand was necessary as the new target segment has an unfavorable attitude towards the brand Crunchips.\textsuperscript{374}

### 4.2.2 Adaptation Options for the Positioning

A company that adapts its offering for a new target segment needs to decide whether it should position its offering along the same or different benefits as an offering targeted at a different market segment (see Section 2.3.2). The experts that I interviewed referred to four different options that a company can select when it positions its offering for a new target segment. A company can adapt the positioning of an existing offering and refer to:

- identical benefits
- complementary benefits
- independent benefits
- contradictory benefits

Figure 4-8 presents the adaptation options for the positioning along the continuum of horizontal adaptation intensity, ranging from no adaptation to high adaptation.

**Figure 4-8: Adaptation options for the positioning**

<table>
<thead>
<tr>
<th>Identical benefits</th>
<th>Complementary benefits</th>
<th>Independent benefits</th>
<th>Contradictory benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Adaptation</td>
<td>Low Adaptation</td>
<td>Moderate Adaptation</td>
<td>High Adaptation</td>
</tr>
</tbody>
</table>

The choice of adaptation option depends on the fit between the benefits that the newly targeted consumers seek and the benefits provided by an existing offering. A company should investigate the target segment’s needs, purchase motives and expectations regarding the offering and evaluate to what degree the positioning needs to be adapted.

#### 4.2.2.1 Identical Benefits: No Adaptation

A company should refer to the same benefits in its positioning for the new target segment when an existing positioning conveys favorable, unique and purchase-relevant benefit associations that lead to the superior perception of the offering among the newly targeted consumers. Emphasis on any other benefits would not increase the

\textsuperscript{374} The Lorenz Bahlsen Snack-World example is based on expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)
perceived value of the offering. This option should be pursued when (1) an offering serves a segment’s needs but may have not been available to the segment; (2) an offerings positioning was not clearly conveyed; or (3) the consumers were simply not aware of the offering. The option of ‘identical benefits’ is often used when companies enter a new product category. Iglo, for example, has recently introduced chicken nuggets. Consumers of chicken nuggets do not differ too much from the consumers of fish sticks. The segments differentiate on one behavioral dimension: their preference for meat or fish. However, the benefits provided for the segments are the same – convenient preparation, great taste and crispness.375

4.2.2.2 Complementary Benefits: Low Adaptation

A company follows the adaptation option of ‘complementary benefits’ when the offering’s positioning for the new target segment refers to the core benefits of an existing offering but it is supplemented with additional, complementary benefits. Companies should pursue the strategic option of ‘complementary benefits’ if an existing positioning provides a fruitful base from which to target the new market segment. The supplement of an additional benefit is required in order to differentiate the offering and to satisfy the relevant needs of the segment. Bonduelle, for example, referred to its primary benefits of quality and convenience when it started to target a younger market segment with its fresh cut salads. It supplemented these benefits with the benefit of freshness.376

4.2.2.3 Independent Benefits: Moderate Adaptation

A company pursues the adaptation option of ‘independent benefits’ when it refers to benefits that relate neither positively nor negatively to the benefits of an existing offering. The company adapts the positioning and uses benefits that are different and independent. Companies should pursue this option when the benefits that the new target segment seeks do not fit with the benefits of an existing offering. With its brand 5 GUM, Wrigley delivers the status benefits of a young and urban lifestyle. These benefits are independent and do not relate to the benefits provided by any other Wrigley brands, such as Wrigley’s Spearmint, the original chewing gum that provides a refreshing mint taste, or Wrigley’s Extra, the chewing gum that provides a good clean feeling.377

375 The Iglo example is based on expert interview [45], Iglo (Erler)
376 The Bonduelle example is based on expert interview [36], Bonduelle (Kuhnle)
377 Gerber (2010), pp. 30-31
4.2.2.4 Contradictory Benefits: High Adaptation

A company that pursues the option of ‘contradictory benefits’ turns the positioning of an existing offering upside down. It positions the offering along benefits that contradict the positioning of an existing offering. A company should follow this option when newly targeted consumers seek benefits that oppose those of existing customers. *Lorenz Bahlsen Snack-World*, for example, positions its primary potato chips brand *Crunchips* around party, people and fun. The newly introduced brand *Naturals*, in contrast, provides the benefits of indulgence, rewarding oneself and relaxation. Whereas *Crunchips* are consumed in a social context, *Naturals* are supposed to be consumed individually.378

4.2.3 Adaptation Options for the Price

A company should also consider the value category in which its offering should compete (see Section 2.3.3). The expert interviews revealed four different options that a company can select when it adapts its price in relationship with the provided benefits for a new target segment. A company can:

- *keep the rules* and provide the same price-benefit relationship
- *trade up* and provide more benefits for a higher price
- *trade down* and provide less benefits for a lower price
- *break the rules* and provide more benefits for a lower price.

Figure 4-9 presents the adaptation options for the price in relationship with the provided benefits along the continuum of horizontal adaptation intensity, ranging from no adaptation to high adaptation.

*Figure 4-9: Adaptation options for the price-benefit relationship*

<table>
<thead>
<tr>
<th>Keep the rules</th>
<th>Trading up &amp; Trading down</th>
<th>Break the rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Adaptation</td>
<td>Low to Moderate Adaptation</td>
<td>High Adaptation</td>
</tr>
</tbody>
</table>

The adaptation of the price-benefit relationship depends on the value that the newly targeted market segment expects from the offering. Investigations into the price

378 The Lorenz Bahlsen Snack-World example is based on expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)
acceptance level and the benefits that the market segment seeks allow a company to select the appropriate adaptation option (see Figure 4-10).

Figure 4-10: Criteria guiding the adaptation option for the price-benefit relationship

4.2.3.1 Keeping the Rules: No Adaptation

An offering for a new target segment competes in the same value category as an existing offering when the company does not adapt the price-benefit relationship. The consumers’ overall perception of the benefits and price is equal between the offering targeted at existing customers and the offering targeted at the new market segment. A company should pursue the option of ‘keeping the rules’ when the benefits and price acceptance levels do not differ between an existing target segment and the new target segment. For example, A.T.U, the car repairs and supplies shop, which started to target the ethnic minority of Turks in Germany, did not differentiate its price-benefit relationship for the newly targeted market segment. The perceived benefits and prices resemble one another, since A.T.U takes conscious care that no target segment feels disadvantaged.379

4.2.3.2 Trading Up: Low to Moderate Adaptation

A company should purse the option of ‘trading up’ in cases where the new target segment has a higher price acceptance level than the existing target segment. The new target segment may even only consider offerings with a higher price. Trading up is usually associated with a higher expectancy level towards the benefits that an offering

379  The A.T.U example is based on expert interview [39], A.T.U (Dereli)
should deliver. Depending on the degree with which an offering is traded up, the adaptation intensity can vary from low to moderate. *Wrigley*, for example, traded its offering up for a new target segment. *5 GUM* provides the consumer with new benefits and its prices are substantially higher compared with existing offerings. While a pack of *Wrigley’s Spearmint* (15 sticks) costs 0.85 Euros and pack of Airwaves (10 dragées) costs 0.75 Euros, a pack of *5 GUM* (12 sticks) is priced at 1.49 Euros. With its introduction of salmon filet sticks and *Omega 3* fish sticks for its new target segments, *Iglo* has also traded its products up for the new target segments. The perceived benefits increased moderately in the same way as the perceived price. The segments received additional benefits in terms of exclusiveness and health from the higher quality ingredients used. The price levels were kept constant but the package size was reduced.

4.2.3.3 Trading Down: Low to Moderate Adaptation

Companies also have the option of trading the offering down for a newly targeted market segment. The benefits and price levels of the offering for the new target segment are perceived to be lower than for those of an existing offering. Again, companies can either adapt the price-benefit relationship moderately or marginally. With its acquisition of *Dacia* in 1999, *Renault* not only followed its international expansion strategy, but it was able to approach a much more price conscious segment. The *E-plus Group*, a German mobile telecommunications network operator owned by the Dutch telecommunication group *KPN*, traded its offering down by introducing the brand *BASE* with the first flat rate offering in the German market for the segment of frequent callers.

4.2.3.4 Breaking the Rules: High Adaptation

The last strategic option refers to Kotler and Armstrong’s (2010) concept of the ‘category killer’. Companies that adapt an existing offering in a way that consumers perceive more benefits for a lower price compared to an existing offering ‘break the rules’ and establish an offering that is very different from existing offerings. ‘Breaking the rules’ requires high adaptation intensity. A company should pursue this option when the newly targeted market segment seeks different or even contradictory benefits and generally has a lower price acceptance level than an existing target segment.

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380 Wrigley (2011a) retrieved 07.01.11 from www.wrigley.de; the prices are recommended retail prices
381 The Iglo example is based on expert interview [45], Iglo (Erler)
382 The Renault and E-Plus examples are based on expert interview [14], anonymity guaranteed
383 Kotler and Armstrong (2010), p. 240
instance, *ENBW*, the third largest energy company in Germany, introduced its subsidiary *Yello* in 1999 as a consequence of the privatization of the energy sector. From the very beginning, consumers have perceived *Yello* as an energy provider that offers cheap electricity rates and provides the best service. It has received various prizes and test ratings for its service, as well as for its flexible and cheap contract terms. Customers can cancel the contracts on a monthly basis, receive service around the clock and *Yello* takes over any administrative issues when quitting the contract with another provider. *Yello* introduced in 2007 the so-called ‘savings meter’ a device that enables customer to check online in real time how much electricity the household consumes enabling its customers to identify saving potentials.384

### 4.2.4 Adaptation Options for the Product

A company needs to decide to what degree it should adapt a product for a new target segment. It can change, add or omit product characteristics, packaging elements and additional services (see *Section 2.3.4*). The expert interviews revealed four approaches that companies can follow when they adapt an existing offering for a new target segment. A company can:

- use the *identical product*
- extend an existing product by changing or adding a few additional characteristics and services
- create a *product variation* and change substantial characteristics of the product
- develop a *new product* that does not resemble the existing product at all

*Figure 4-11* presents the adaptation options for a product along the continuum of horizontal adaptation intensity, ranging from no adaptation to high adaptation.

*Figure 4-11: Adaptation options for the product*

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384 The Yello example is based on expert interview [14], anonymity guaranteed
The choice of the adaptation option primarily depends on the ability of an existing product to deliver the benefits a newly targeted customer seeks. A company may need to barely or extensively adapt a product.

4.2.4.1 Identical Product: No Adaptation

The products for the existing and new target segments are identical when a company does not change any product characteristics, packaging elements or additional services. A company should pursue the option of an ‘identical product’ when an existing product fits with the expectations of and the benefits sought by the new target segment. Car companies, such as Volkswagen and Mercedes, that target the ethnic minority of Turks living in Germany do not specifically adapt their products.385

4.2.4.2 Extended Product: Low Adaptation

Only a few adjustments to an existing product, such as small changes to the product characteristics, packaging or additional services, are required when an existing product fits with the characteristics of the new target segment and its expectations. The existing product is able to provide most of the benefits that the new target segment seeks. Small adaptations enable the company to differentiate the product according to the requirements of the newly targeted market segment. For instance, Coop Schweiz adapted the packaging of its private label products to make their offerings more attractive to seniors. It bundled all the relevant product information, printed in a readable font type, on the back of the package and abandoned shiny packaging materials to avoid reading difficulties.386 In its targeting efforts towards women and people over the age of fifty, Generali Versicherung adapted its insurance products by supplementing existing products with segment-specific insurance coverage. Their casualty insurance for women covers female-specific diseases, such as breast cancer, and their liability insurance for people over fifty covers damage caused by grandchildren or damage during voluntary work.387

4.2.4.3 Product Variation: Moderate Adaptation

A company pursues the option of ‘product variation’ when it changes the major functional or aesthetic characteristics of an existing product. An existing product is able to provide some but not all substantial benefits the new target segment seeks. A company should pursue this strategic option when the basic concept of the product can

385 The car example is based on expert interview [16], anonymity guaranteed
386 Koch (2006), p. 204
387 The Generali example is based on expert interview [51], Generali (Baumann)
serve as a starting point for substantial changes in product characteristics. For instance, *Fissler*, the cookware company, adapted the pressure cooker for its new, younger target segment. The basic concept of the adapted pressure cooker remained the same: it still included a pot, lid, closure mechanism and pressure valve. However, *Fissler* adapted three major product characteristics. First, the aesthetic design was changed in order to adhere to the sense of aesthetics of the targeted segment. Second, the closing mechanism was made easier and safer. The lid is closed easier and the click sound and visual element provide guarantee of its closure. Third, a small traffic light system provides guidance in using the pressure cooker: yellow indicates that the stove can be turned down, green means that the temperature has been reached and that the cooking time will begin and red signifies that the temperature is too high.388

4.2.4.4 *New Product: High Adaptation*

While in the ‘variation option’ the core concept of the product or service for the newly targeted market segment is the same as for existing segments, the ‘new product option’ requires changes to the fundamental core concept. The core concept of an existing product cannot be utilized as the foundation for adaptation but requires adaptation itself. A company should pursue this option when an existing product does not match with the requirements of the target segment and is not able to deliver purchase-relevant benefits. For instance, *Bosch Power Tools* raised the interest of the soft DIYers in power tools with the introduction of the *Bosch IXO*. *Bosch* was the first company that used batteries with lithium-ion technology for a power tool when it developed the screwdriver *IXO*, which was launched on the market in 2003. The use of lithium-ion technology enabled *Bosch* to reduce the size and weight of power tools substantially. At the time of its introduction, the *IXO* was far smaller than other screwdrivers on the market, but with comparable power. The lithium-ion technology further led to a significantly extended battery life as well as the elimination of the battery’s self-discharge and the memory effect. The visual aesthetics as well as ergonomic aspects played also a major role in development of the *Bosch IXO*. It has a pistol-like design with a soft grip handle that guarantees a safe and comfortable grip. The *Bosch IXO* is equipped with 10 bits including one that is compatible with *IKEA* furniture. The Bosch IXO is also available with an angle screw adapter to drive screws in hard-to-reach areas and an off-set adapter when driving screws close to the edges. The *Bosch IXO* comes in an innovative and stylish metal box that does not resemble a typical screwdriver case at all. The *Bosch IXO* is the best-selling power tool in Europe. For

388 The Fissler example is based on expert interview [46], Fissler (Loges)
the occasion of ten million sold pieces, Bosch Power Tools launched two special editions: a limited edition with embellished Swarovski crystals and the edition Bosch IXO Vino that includes a corkscrew adapter.389

4.2.5 Adaptation Options for the Distribution

A company that targets a new market segment needs to evaluate whether it should adapt the vertical and horizontal structure of its existing distribution system (see Section 2.3.5). The experts I interviewed referred to three options that a company can utilize in adapting its distribution system. A company can:

- stick to its *existing distribution system*
- *partially adapt the vertical and/or horizontal structure* of its distribution system
- develop an *independent system* and change the vertical and horizontal structure of its distribution system

Figure 4-12 presents the adaptation options for a distribution system along the continuum of horizontal adaptation intensity, ranging from no adaptation to high adaptation.

*Figure 4-12: Adaptation options for the distribution*

<table>
<thead>
<tr>
<th>Existing distribution system</th>
<th>Partial change in distribution system</th>
<th>Independent distribution system</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Adaptation</td>
<td>Low to Moderate Adaptation</td>
<td>High Adaptation</td>
</tr>
</tbody>
</table>

The choice of the adaptation option is influenced by the ability of existing channels and channel partners to ensure the coverage and availability of the product. Based on the fit between the shopping behavior of the target segment and the company’s existing distribution system, a company can select one of the adaptation options (see Figure 4-13).

4.2.5.1 Existing Distribution System: No Adaptation

Companies can stick to the existing distribution system and do not need to undertake any changes when the existing distribution channels and the distribution intensity can guarantee the availability of the product as well as fit with the purchase motives and shopping behaviors of newly targeted consumers. For example, Wrigley utilized its

389  The Bosch example is based on expert interview [32], Bosch Power Tools (Schneider)
existing system to distribute its 5 GUM brand. The availability and presence of its product in the marketplace are pivotal to Wrigley as consumers usually buy chewing gum impulsively. The use of existing distribution channels, such as supermarkets, drug stores, candy stores, gas stations, kiosks and vending machines, enabled Wrigley to reach the segment and to establish market coverage very fast.390

Figure 4-13: Criteria guiding the adaptation options for the distribution

4.2.5.2 Partial Change of Distribution System: Low to Moderate Adaptation

The option of a ‘partial change of distribution system’ requires a partial adaptation of the vertical and/or horizontal distribution structure. Companies that select this option will use existing channels and existing channel partners to distribute their offering to the new target segment. However, the company may decide to sell the offering only in some of the channels or choose to employ additional distribution channels for the new target segment. A company may also decide to sell the offering for the new target group through the same channels but to utilize less, more or different channel partners. A partial adaptation in the horizontal structure could also comprise the use of a sales force that solely takes care of the new target segment.

Sennheiser, for example, partially adapted its distribution system for its new target segment; it employed an additional channel to distribute its sport headsets. Besides its existing channels, such as specialist electronic and music stores, electronic department stores and airport shops, the headsets are also sold in specialist sport stores and sport

390 Wrigley (2011b) retrieved 07.01.2011from www.wrigley.de
retail chains. Generali, in contrast, adapted its distribution system horizontally for its target segments of ‘women’ and ‘50 plus’. Generali serves the segments with its classical sales agents and brokers. In addition, it contracted new sales agents and trained existing ones to cater to the very specific needs of specific target segments. A dedicated group of female agents specifically take care of the segment of women and a group of mature agents serve the target segment of ‘50 plus’.

4.2.5.3 Independent Distribution: High Adaptation

A company should establish a new and independent distribution system when the existing distribution system does not fit at all with the shopping behaviors of the new target segment. Dextro Energy, for instance, established an independent distribution system for its new target segment of endurance athletes. While it distributes its existing standard product (i.e. dextrose cubes) over various channels, such as supermarkets, kiosks, drug stores and gas stations, the sports nutrition line is sold selectively via specialist sport stores, sport retail chains, internet platforms and at endurance sports events. Dextro Energy had previously not used these channels. Dextrose cubes are a high volume business in a very organized distribution environment. The wholesale and retail environment in sports nutrition, on the other hand, is small in volume and very fragmented. The tasks of the sales force are partly outsourced to wholesalers and new key account managers serve the biggest clients.

4.2.6 Adaptation Options for the Communication

A company that targets a new market segment needs to consider to what degree it should adapt existing communication practices (see Section 2.3.5). The expert interviews revealed four different options that a company can select when it adapts its communication practices for a new target segment. A company can:

- barely adapt its communication
- change the communication channels
- adapt the communication content and appeal
- change the communication channels, content and appeal

Figure 4-14 presents the adaptation options for marketing communication practices along the continuum of horizontal adaptation intensity, ranging from very low adaptation to high adaptation.

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391 The Sennheiser example is based on expert interview [47], Sennheiser (Sennheiser)
392 The Generali example is based on expert interview [51], Generali (Baumann)
393 The Dextro Energy example is based on expert interview [41], Dextro Energy (Ehrenbeck)
A company should investigate the fit between existing communication channels and the media usage behaviors of the new target segment. In addition, the demographic, cultural and psychographic characteristics of the segment may require the adaptation of communication practices. Marketing communication needs to convey the benefits that the market segment seeks. Using existing communications as a starting point, a company can adapt its communication channels to better reach the targeted segment. It may also adapt the information content to communicate a segment-specific message, as well as change the creative execution to increase the appeal of its communication. Based on the fit between existing communication practices and the target segment characteristics, a company can select the appropriate adaptation option (see Figure 4-15).

4.2.6.1 Barely Change: Very Low Adaptation

A company may only need to implement minor changes when existing communication practices reach the targeted segment and are able to transfer the desired message with
an appropriate ‘look and feel’. These minor changes may involve the use of an additional communication channel, the use of additional information (such as ‘now available in a family package’) or a few changes in the elements of the creative execution, such as the use of an endorser who represents the newly targeted market segment. For instance, Iglo barely adapted its marketing communication when it started to target the segments of couples and singles between the ages of 20 and 35 with its salmon filet sticks. The TV spot for its main target segment, families with children between five and twelve years old, advertised the existing standard offering of fish sticks. This spot was extended by a five second tag-on that introduced the offering of the salmon filet sticks. Iglo did not undertake any further communicative activities for this offering.\(^{394}\)

### 4.2.6.2 Change in Channel: Low Adaptation

A company can also use existing communication practices but place them in a different communication channel or use a different media vehicle. It should choose the adaptation option of a ‘change in channel’ when the existing communication practices are actually able to transmit the desired message in a way that suits the target segment, but do not reach the segment. Companies should pursue this option when a specific communication channel or media vehicle enables the company specifically and distinctively to reach the target segment. In its first attempt to target gay cigarette smokers, Philip Morris placed an advertisement in the gay magazine Genre in 1992. Philip Morris wanted to increase its market share of gay smokers, who have relatively high cigarette consumption levels and appreciate brands that are advertised in gay media. The advertisement for its brand Benson & Hedges that appeared in Genre was the same as the advertisements that Philip Morris published in other magazines. The company did not provide or depict any gay-specific content and appeal.\(^{395}\)

### 4.2.6.3 Change in Content and Appeal: Moderate Adaptation

An adaptation in content and appeal is required when the existing communication practices reach the targeted segment but do not transfer the desired message. For example, Lorenz Bahlsen Snack-World promoted its potato chips Naturals to its new target segment via the same communication channels as utilized for the brand Crunchips. However, the contents and creative executions deviate substantially. TV advertisements for Crunchips depicted the German comedians Atze Schröder and

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394 The Iglo example is based on expert interview [45], Iglo (Erler)
Kaya Yanar presenting the brand in a humorous way. The TV advertising for the brand *Naturals* provided more rational arguments: it explained what *Naturals* potato chips are, how they are made and what their ingredients are. The atmosphere is much more relaxed. The advertisement depicted a couple that enjoys eating the potato chips in a natural environment.396

### 4.2.6.4 Change in Channel, Content and Appeal: High Adaptation

Eventually, a change in channel, content and appeal requires high adaptation efforts when a company’s existing communication practices do not: (1) reach the new target segment; (2) comprehensively convey the intended message; and (3) transfer the desired ‘look and feel’. *Dextro Energy*, for instance, uses very specific communication channels and media vehicles, such as running and triathlon magazines, to market its new sport nutrition products. While existing communication for the standard product *Dextro Energy* (i.e. dextrose cubes) convey the benefit of increased concentration and performance in various life situations, advertisements for the sports nutrition line provide very detailed information about features, ingredients and benefits. In addition, the advertisements illustrate endorsers, such as the German triathlete Maik Petzold.397

### 4.3 Summary

The starting point of all adaptation considerations should be the existing marketing program and the question of why newly targeted consumers have not previously purchased and consumed a company’s offering. An evaluation of the fit between the characteristics of the new target segment and the existing marketing program enables a company to identify purchase barriers and to adapt its marketing activities accordingly. A high ‘segment-program fit’ usually indicates that a company needs to adapt its marketing program only to a low degree. A low fit, in contrast, indicates that a marketing program needs to be intensely adapted. The findings of the expert interviews revealed various adaptation options that a company can pursue when it adapts the components of an existing marketing program. The adaptation options have been introduced and the criteria guiding the selection of an appropriate option has been presented. The adaptation options for the individual marketing program components distinguish each other in their adaptation intensity levels, ranging from ‘no adaptation’ to ‘low adaptation’ and ‘moderate adaptation’ up to ‘high adaptation’. Figure 4-16

396 The Lorenz Bahlsen Snack-World example is based on expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)

397 The Dextro Energy example is based on expert interview [41], Dextro Energy (Ehrenbeck)
provides an overview of the identified adaptation options and their associated adaptation intensity levels.

Figure 4-16: Framework of adaptation options for the marketing program components

<table>
<thead>
<tr>
<th>Adaptation of the Brand</th>
<th>Parent brand</th>
<th>Sub-brand</th>
<th>Endorsed brand</th>
<th>Independent brand</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Co-brand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adaptation of the Positioning</td>
<td>Uniform benefits</td>
<td>Complementary benefits</td>
<td>Independent benefits</td>
<td>Contradictory benefits</td>
</tr>
<tr>
<td>Adaptation of the Price</td>
<td>Keep the rules</td>
<td>Trading down</td>
<td>Trading up</td>
<td>Breaking the rules</td>
</tr>
<tr>
<td>Adaptation of the Product</td>
<td>Uniform product</td>
<td>Extended product</td>
<td>Product variation</td>
<td>New product</td>
</tr>
<tr>
<td>Adaptation of the Distribution</td>
<td>Existing system</td>
<td>Partial change in horizontal and/or vertical structure</td>
<td>Independent system</td>
<td></td>
</tr>
<tr>
<td>Adaptation of the Communication</td>
<td>Barely change</td>
<td>Change in channel</td>
<td>Change in content &amp; appeal</td>
<td>Change channel, content &amp; appeal</td>
</tr>
</tbody>
</table>

Horizontal Adaptation Intensity

No Adaptation, Low Adaptation, Moderate Adaptation, High Adaptation
5 Segment Interaction Effects

The previous chapter illustrated how companies can adapt their marketing programs horizontally. It followed the normative market segmentation literature, which claims that companies should direct their marketing programs in accordance with the characteristics of the new market segment.\footnote{Koch (2006), p. 44} I acknowledged the fact that companies may adapt the marketing program components with different intensity levels and introduced different adaptation options for the individual components of existing marketing programs with varying degrees of adaptation intensities. I reasoned that a company should choose a specific adaptation option in accordance with the fit between its existing marketing practices and the characteristics of the new target segment. In this chapter, I introduce the effects of segment interaction. Segment interaction effects have barely been considered in the context of the implementation of a marketing program for a new market segment. These effects may also influence the intensity with which a company should adapt the components of a marketing program.\footnote{Koch (2006), pp. 201-203}

The marketing activities that a company targets at a new market segment do not occur in isolation. Existing customers may perceive advertising campaigns targeted at the new market segment or discover the product aimed at the new segment on the shelf at a retailer. An existing customer may also directly perceive a newly targeted consumer who purchases or consumes a product. These so-called spillover effects may activate favorable or unfavorable attitudinal and behavioral responses among existing customers. While a negative response can lead, in extreme cases, to the disregard of the new and existing offering of the company and negative word-of-mouth effects, a positive behavioral response can result in cross-selling or up-selling. Figure 5-1 provides an overview of the emergence and consequences of potential spillover effects. The following chapter takes a closer look at spillover effects in general and at cannibalization effects as one particular consequence of spillover effects. I derive conclusions and reveal how a company can foster or avoid spillover and cannibalization effects by the intensity with which it adapts the components of a marketing program.
5.1 Spillover Effects

'Spillover effects' generally refers to the phenomenon of information influencing the beliefs of unaddressed consumers. In the context of segment portfolios, Koch (2006) defines spillover effects as reciprocal effects between a company’s existing customers and the newly targeted customers. Existing customers perceive marketing stimuli targeted at the new market segment and perceive new customers consuming a company’s offering. These perceptions can have an impact on the existing customers’ attitudes and behaviors towards the company, its brands and its offerings. This can be defined as a ‘reciprocal spillover effect’. The user imagery of the newly targeted market segment affects an existing customer’s perception of a company’s brand and its offerings. User imagery has been identified by research as a strong influencing factor of brand image. Biel (1993) states that the “[…] impression people have of the brand’s users” is “[p]erhaps the strongest contributor to brand image.” User imagery is a substantial factor and can be the most important determinant of brand image, as it personalizes the brand and provides it with meaning. In fact, user imagery often has

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400 Adapted from Koch (2006), p. 139
401 Roehm and Tybout (2006), p. 366
403 Balachander and Ghose (2003), p. 5
404 Biel (1993), p. 73
405 McCracken (1989), p. 315
a stronger impact on brand image creation than product attributes and corporate associations.\footnote{Hayes et al. (2008), p. 95}

Spillover effects can either be \textit{negative} or \textit{positive}, meaning that the user imagery of a new target segment that purchases and uses the brand either decreases (\textit{negative}) or increases (\textit{positive}) the desire to purchase the brand among existing customers. Furthermore, spillover effects can be distinguished into \textit{intended} and \textit{unintended} effects. Usually, spillover effects are \textit{unintended}, as a company does not anticipate their consequences. However, companies can try to enforce negative or positive spillover effects when they reposition, extend or rejuvenate a brand.\footnote{Koch (2006), pp. 156-157} Belz (2006) emphasizes in this context, that marketing often occurs on the ‘edges’ of a brand or segment portfolio.\footnote{Belz (2006), pp. 70-71} Companies grasp additional business opportunities with ‘undesirable’ target segments and try to this without capturing the attention of the core target segments.\footnote{Belz (2006), pp. 70-71} Marketing on the ‘edges’ can also have favorable, symbolic effects with a stronger impact than broad and general marketing activities.\footnote{Belz (2006), pp. 79-83}

\subsection*{5.1.1 Empirical Evidence of Spillover Effects}

Several authors acknowledge the presence and importance of spillover effects between different market segments in qualitative, explorative studies. Miller (1994) provides evidence of positive and negative spillover effects detected among existing customers of \textit{Ikea} in the United States. \textit{Ikea} targeted the gay segment in the United States and aired a TV advertising spot that depicted a homosexual couple. Within one month of airing the spot, \textit{Ikea} received 3,000 telephone calls from mostly non-homosexual consumers, of which 30 percent were negative. However, after airing the spot, \textit{Ikea} also realized the biggest increase in sales since it established outlets in the United States. The spot evoked positive spillover effects and generated sales among a large proportion of existing customers.\footnote{Miller (1994), pp. 1-2}

A survey targeted at the executives of advertising agencies in the UK revealed that agencies often do not book mature and older models as they may alienate younger audiences.\footnote{Szmigin and Carrigan (2000), p. 134} Koch (2006) refers to the sportswear company \textit{Lonsdale} as exemplifying negative reciprocal spillover effects. The brand became attractive to neo-Nazis in the
1980s due to the letter string NSDA.\textsuperscript{413} As a result, Lonsdale’s brand image deteriorated and was abandoned by its usual customers. Similarly, Aaker (1996) regards misfit between a targeted segment and actual users as a potential source of negative reciprocal spillover effects and argues that the spread of the Lacoste alligator beyond the targeted segment of yuppies was not desirable.\textsuperscript{414} In a piece of netnographic research, Avery (2007) discovered negative feelings among existing customers of Porsche. Just after the introduction of the Porsche Cayenne SUV, existing Porsche Carrera drivers expressed their negative feelings towards the Porsche brand and the drivers of the Porsche Cayenne on internet forums.\textsuperscript{415}

Spillover effects have also been empirically proven in quantitative research settings. Grier and Brumbaugh (1999) found that white Americans were highly attentive to advertisements that were targeted at black or gay American consumers.\textsuperscript{416} They also revealed that white American consumers were confused and responded critically to these advertisements. In another research setting, Feinberg et al. (2002) demonstrated a betrayal effect resulting from negative spillover effects. Feinberg et al. (2002) provide evidence that segment-specific price promotions lead to a sense of disregard and betrayal among the customers of the company who are not benefiting from the promotion.\textsuperscript{417} Berger and Heath (2007) found that consumers tend to make choices that differ from the choices of mainstream consumers in order to convey a distinctive and individual personality.\textsuperscript{418} An individual may abandon her/his preference for a specific offering when mainstream customers consume the offering. Following the same premise of identity-signaling, Berger and Heath (2008) demonstrated a negative reciprocal spillover effect, finding that “undergraduates stopped wearing a particular wristband when members of the ‘geeky’ academically focused dormitory next door started wearing them.”\textsuperscript{419}

5.1.2 Drivers of Spillover Effects

A driver of spillover effects is the perceived distance between the existing market segments and the newly targeted segment. Koch (2006) refers to the segments of senior citizens, homosexuals and ethnic minorities in his definition of segment distance. In society, these groups are often associated with prejudices and are

\begin{flushleft}
\textsuperscript{413} Koch (2006), p. 145-146  \\
\textsuperscript{414} Aaker (1996), p. 173  \\
\textsuperscript{415} Avery (2007), pp. 55-81  \\
\textsuperscript{416} Grier and Brumbaugh (1999), pp. 87-91  \\
\textsuperscript{417} Feinberg et al. (2002), p. 288  \\
\textsuperscript{418} Berger and Heath (2007), pp. 125-128  \\
\textsuperscript{419} Berger and Heath (2008), pp. 597-598
\end{flushleft}
negatively stereotyped. They are regarded as ‘different’ and perceived to be ‘far away’ from the self-concept. Koch (2006) draws an analogy between perceived segment distance and the insights gained from brand extensions. The risk of negative spillover effects, such as the deterioration or the dilution of the parent brand, amplifies as the distance increases between the parent brand and the brand extension. Perceived segment distance can be based on differences in lifestyles and culture. It can also be grounded on simple behavioral and demographic differences, such as gender or age. The degree of negative spillover and its consequences depend on the extent of mental closeness with the typical user. The less a consumer can identify with the stereotypical user, the higher the chance of negative spillover effects. White and Dahl (2006) discovered a negative spillover effect and confirmed that, in some instances, males have more negative evaluations and neglect to buy a product that is linked with females. Ferraro et al. (2009) demonstrated positive and negative spillover effects when a consumer is exposed to brand users that are either evaluated very positively or negatively.

Spillover effects do not necessarily need to occur. Actually, in consumption situations characterized by habitual or rational decision making, spillover effects may have no impact at all on choice. According to Koch (2006), spillover effects occur primarily in product categories in which symbolic consumption plays a major role and perceived self-brand congruity is important. Symbolic consumption refers to the consumption and use of brands in order to construct and signal identity. Consumers buy and use brands whose images correspond with the actual or desired identity of the consumer. In this context, the literature refers to privately versus publicly consumed brands; the latter can be further distinguished into self-conscious and unconscious public consumption. As a product needs to be purchased or consumed consciously and visibly to transfer personality associations, symbolic consumption is usually associated with self-conscious publicly consumed brand offerings. Aaker (1996) refers to the product categories of automobiles, cosmetics and clothes as areas in which symbolic consumption prevails, as their use occurs in public and consumers are highly

420 Koch (2006), pp. 152-153
421 Koch (2006), p. 63
422 White and Dahl (2006), p. 404
423 Koch (2006), p. 152
424 White and Dahl (2006), pp. 406-408
425 Ferraro et al. (2009), p. 336-339
426 Koch (2006), p. 150
430 Koch (2006), p. 151
involved.\textsuperscript{431} In a recent study, Fischer et al. (2010) investigated the relevance of brands in twenty different product categories across France, Spain, Japan, Great Britain and the United States.\textsuperscript{432} While in all these countries the relevance of brands was extremely high for vehicles and cigarettes (i.e. publicly consumed items), the relevance was extremely low for drug stores and paper tissues (i.e. privately consumed items). Interestingly, in European countries, where drinking beer is often a public activity with high involvement, brand relevance in the beer category is high. In Japan, however, beer is a rather low involvement product. Accordingly, the Japanese rank the relevance of brands in the beer category as relatively low.\textsuperscript{433}

Several authors have provided evidence for the moderating role of symbolic consumption on spillover effects. White and Dahl (2006) confirmed negative attitudes of males towards a product that is associated with female users.\textsuperscript{434} The negative attitudes of male consumers are moderated by public (increase of spillover effects) and private consumption (decrease of spillover effects). In another study, White and Dahl (2007) provide evidence that brands that are associated with a dissociative reference group are evaluated more negatively when the brand is perceived as symbolic.\textsuperscript{435} Berger and Heath (2007) also stress the importance of symbolic consumption in the context of spillover effects: a negative attitude of an individual towards products consumed by the mainstream majority could only be detected in product categories that are symbolic, such as music or hairstyles, and not in the product categories of backpacks or stereo systems.\textsuperscript{436} They also found that the choice of fast food among students was different when it was consumed in private or public. Taste, when shared with a dissociative reference group, was abandoned in the public consumption context.\textsuperscript{437}

\textbf{5.1.3 Spillover Effects as Determinants of Adaptation Intensity}

Companies can enforce and avoid spillover effects in cases where marketing activities for the new target segment are presumed to influence the attitudes and behaviors of existing customers. A company can enforce and avoid spillover effects by the use of different adaptation intensities of a marketing program for the new target segment.

\textsuperscript{431} Aaker (1996), pp. 156-157
\textsuperscript{432} Fischer et al. (2010), p. 832
\textsuperscript{433} Fischer et al. (2010), p. 832
\textsuperscript{434} White and Dahl (2006), pp. 408-411
\textsuperscript{435} White and Dahl (2007), p. 528
\textsuperscript{436} Berger and Heath (2007), pp. 124-125
\textsuperscript{437} Berger and Heath (2008), pp. 598-599
More specifically, it can enforce or avoid existing customers perceiving the offering and associating it with the company’s brand and existing offering (see Figure 5-2).

**Figure 5-2: Spillover effects and adaptation intensity**

<table>
<thead>
<tr>
<th>Low Adaptation Intensity</th>
<th>High Adaptation Intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enforcement of positive spillover effects</strong></td>
<td><strong>Avoidance of negative spillover effects</strong></td>
</tr>
<tr>
<td>Enforce Perception</td>
<td>Avoid Perception</td>
</tr>
<tr>
<td>- Use of the existing communication channels</td>
<td>- Use of different communication channels</td>
</tr>
<tr>
<td>- Use of existing distribution channels</td>
<td>- Use of different distribution channels</td>
</tr>
<tr>
<td>Enforce Association</td>
<td>Avoid Association</td>
</tr>
<tr>
<td>- Use of the existing brand</td>
<td>- Use of a different, independent brand</td>
</tr>
<tr>
<td>- Inferences to existing offering through product/packaging design and creative execution of communication</td>
<td>- No inferences to existing offering through different product/packaging design and creative execution of communication</td>
</tr>
</tbody>
</table>

Low adaptation intensity of a marketing program enforces spillover effects. When a company wants to promote positive spillover effects, it should ensure that existing customers perceive marketing activities directed to the new segment and associate the adapted offering with an existing offering. The use of existing communication and distribution channels increases the chance that existing customers will perceive the marketing activities directed at the new target segment. A company can also enforce the transferability of the spillover effects when it uses the same brand for the new target segment as for existing customers. Spillover effects are also promoted when the product, packaging and communication appeals provide associations to existing offerings. In the case where marketing activities directed to the new segment are assumed to have negative effects on existing customers, negative spillover effects should be avoided. A company can avoid negative spillover effects when it adapts its marketing program intensely. A company can use distribution and communication...
channels that are not used by existing customers and deviate from existing practices. In this way, a company can avoid encounters between existing customers and the new target segment, as well as the respective offerings. A different and independent brand that covers the offering’s origin reduces the transferability of associations. Different product and packaging designs, as well as different communication appeals, can further avoid associations between offerings targeted to a new market segment and existing customers.

5.2 Cannibalization Effects

Cannibalization describes the extent to which a newly introduced product gains market share and sales from an existing product of the same company.\textsuperscript{438} The introduction of an adapted offering that is targeted to a new market segment may also trigger existing customers to purchase it. Cannibalization effects can be \textit{negative} or \textit{positive}, meaning that cannibalization either decreases the total financial performance (\textit{negative}) or increases the total financial performance (\textit{positive}) of the company. Cannibalization effects are positive when the sales of a new and adapted offering to existing customers generate profits that outgrow the profits of an existing product.\textsuperscript{439}

5.2.1 Empirical Evidence of Cannibalization Effects

Cannibalization effects have been investigated in a few empirical research settings. Reddy et al. (1994) investigated 34 cigarette brands and the cannibalization effects of new line extensions. They found cannibalization effects in each line extension and demonstrated that cannibalization increases with the closeness of target segments and the substitutability of products.\textsuperscript{440} In a similar study, Mason and Milne (1994) evaluated the cannibalization of cigarette line extensions and concluded that cannibalization increases with the number of line extensions and decreases with target segment specificity within the customer portfolio.\textsuperscript{441}

Lomax et al. (1996) investigated the British and German detergent market and also discovered cannibalization effects. Detergent markets can broadly be segmented into consumers favoring powder or liquid detergents. \textit{Unilever} started to target liquid favoring consumers and introduced \textit{Persil Liquid} in the British market in 1988.\textsuperscript{442} Unilever won market shares from other brands that provided liquid detergents but also

\textsuperscript{438} Srinivasan et al. (2005), p. 359
\textsuperscript{439} Kerin et al. (1978), p. 27
\textsuperscript{440} Reddy et al. (1994), pp. 255-256
\textsuperscript{441} Mason and Milne (1994), pp. 167-168
\textsuperscript{442} The Persil brand is owned by Unilever in Great Britain while in most other markets it belongs to Henkel.
cannibalized its own powder detergent; 31 percent of Persil Liquid buyers used to purchase Persil Powder. Interestingly, consumers from other powder brands could barely be won.443

Researching the canned and bottled beer market, Meredith and Maki (2001) discovered cannibalization effects between two brands of a company serving the price conscious and premium seeking segment. Cannibalization of the premium brand offering was observed when the price premium of the expensive brand was raised over 10 percent.444

5.2.2 Drivers of Cannibalization Effects

Segment closeness is the counterpart of segment distance and refers to the similarity of an existing and a new target segment on dimensions such as demographics, psychographics, economics and behavioral characteristics. Cannibalization effects are more prominent between segments that are similar than between segments that have different expectations and requirements of an offering. The studies by Reddy et al. (1994) and Mason and Milne (1994) provide evidence that cannibalization effects increase when target segments do not substantially differ and offerings for the segments resemble one another.445 Cannibalization effects occur more frequently in product categories that are characterized by low involvement decision-making and a high degree of novelty and variety seeking among consumers.446 Existing customers switch products and cannibalize existing products in order to satisfy variety seeking motivations.

5.2.3 Cannibalization Effects as Determinants of Adaptation Intensity

A company can try to foster or avoid cannibalization effects. Marketing activities directed to the new market segment can have positive cannibalization effects when the adapted offering yields a higher margin than an existing offering. A company that wants to foster cannibalization effects should ensure that existing customers perceive the offering and associate it with an existing offering. The enforcement of cannibalization effects requires a marketing program with a low degree of adaptation intensity. Awareness of the offering among existing customers can be established by the use of existing communication channels. Furthermore, the use of currently employed distribution channels ensures the availability of the offering for existing customers.

443 Lomax et al. (1996), pp. 24-25
444 Meredith and Maki (2001), pp. 1788-1789
446 Trijp et al. (1996), p. 287
customers. Existing customers also need to associate the adapted offering with an existing offering. Hence, existing customers should recognize the brand of the adapted offering and associate it with an existing offering. Price levels need to be identified that fall within the acceptance levels of existing customers and motivate switching behavior. The product and packaging design, as well as the communication appeal, should emphasize inferences to the existing offering.

Negative cannibalization effects are assumed to have a negative impact on the total financial performance of the company. Cannibalization effects are negative when the profits of the adapted offering realized with existing customers are presumed not to cover the expenses of an existing product. Cannibalization effects can also be negative when the purchase of the offering by existing customers evokes a negative attitude towards the offering among newly targeted customers. In order to prevent cannibalization effects, a company should intensely adapt its marketing program. A company can use communication and distribution channels that are not used by existing customers. By adapting the brand and positioning, a company can establish an offering that attracts newly targeted consumers but decreases purchase relevance and attractiveness for existing customers. Different product and packaging design, as well as communication appeal, can prevent any association with the existing offering. Eventually, pricing levels could be identified that fall into the acceptance range of the new target segment but lie outside the range of existing customers.

5.3 Summary

In this section, I introduced segment interaction effects. Existing customers can perceive the marketing activities directed at the new target segment. They may also directly experience the new target segment when they acquire or consume an offering. These perceptions may lead to favorable or unfavorable responses among existing customers. Companies can enforce or avoid spillover effects and their consequences, such as cannibalization. They can enforce spillover and cannibalization effects when they adapt a marketing program with low adaptation intensity and they can prevent spillover and cannibalization effects when they adapt a marketing program with high adaptation intensity.
6 Typology of Successful New Segment Strategies

So far, I have investigated the adaptation of the marketing program components in isolation and have focused on horizontal adaptation intensity. In Chapter 4, I introduced the adaptation options that a company has when it adapts the components of an existing marketing program for a new target segment. The intensity with which a company should adapt the different marketing program components horizontally depends on the fit between the characteristics of the new target segment and existing marketing practices. In Chapter 5, I argued that the adaptation of the different marketing program components also depends on potential segment interaction effects. A company can either enforce or avoid these effects by virtue of the different adaptation intensity levels with which it adapts the different marketing program components.

In this chapter, I integrate the findings of the previous chapters and examine the adaptation of a marketing program holistically. I investigate how companies adapt the different components of a marketing program and explore the different, successful patterns of vertical intensity with which companies can adapt their marketing program. More specifically, I develop a typology of the different strategies that a company can pursue when it targets a new market segment and propose an appropriate and successful adaptation pattern for a marketing program.

6.1 Dimensions of the Typology

The strategy a company pursues when it targets a new market segment can be characterized by the purpose it follows and the contingencies it faces. The implementation of the marketing program for the new target segment can be characterized by the adaptation intensity of the existing marketing program and the required resources. Subsequently, I briefly describe the dimensions of the typology.

The purpose of the targeting efforts: A company has multiple strategic possibilities when it targets a new market segment. The strategy that a company pursues can be characterized by the purpose of its targeting efforts. The purpose of the targeting efforts may be distinguished by the generation of attitudinal and behavioral responses in the new target segment. While attitudinal responses aim to create certain awareness and image levels, behavioral responses refer to the generation of certain sales levels. The purpose of the targeting efforts may not only be restricted to the new target segment: a company may also want to generate attitudinal and behavioral responses...
within an existing segment. It may want to increase its image within an existing target segment or even generate sales with existing customers. Hence, a company may want to either enforce or avoid segment interaction effects.

**Contingencies – the segment-program fit and interaction effects:** A company may face different contingencies when it targets a new market segment. A company can target a proximate segment and evolutionarily expand the market or decide to target a segment that is quite different from an existing segment. It can also decide to go for a rather big segment or a small and very specific niche. The segment distance and the segment specificity influence the fit between the new target segment and existing marketing practices. Companies may face a ‘no fit’, ‘low fit’, ‘moderate fit’ or ‘high fit’ condition when they target a new market segment. Companies may also face segment interaction effects, which could be irrelevant, positive or negative.

**Adaptation intensity of the marketing program:** A company that targets a new market segment may adapt the components of its marketing program with varying degrees of horizontal adaptation intensity. A company may adapt the brand, positioning, price, product, distribution and communication of an existing marketing program. These components may be adapted to varying degrees, ranging from ‘no adaptation’ to ‘low adaptation’ and ‘moderate adaptation’ up to ‘high adaptation’. The vertical adaptation intensity of the marketing program describes the amount and hierarchical order of the horizontally adapted components of a marketing program and also ranges from ‘no adaptation’ to ‘low adaptation’ and ‘moderate adaptation’ up to ‘high adaptation’.

**Resources:** Ultimately, new segment strategies can be distinguished by their resource intensity. Resource intensity comprises the personnel resources (i.e. the number people involved and the efforts invested by these people) and the financial resources invested into the targeting efforts. Companies may invest heavily or use very limited resources. The resource intensity may be ‘low’, ‘moderate’ or ‘high’. The amount of resources that are required to adapt a marketing program usually correlates with the intensity of the adaptation.

### 6.2 Case Studies

I investigated six different company cases that had acquired a new target segment successfully. The investigation revealed how companies can adapt their marketing program successfully in specific situations and circumstances. The selection of the cases was based on two criteria. First, the companies had to have successfully
implemented a marketing program for a new target segment within the last 10 years. A case was rated as successful when the company’s representatives claimed to have achieved or exceeded their set goals. Second, companies had to have faced different contingencies and to have chosen different implementation approaches. The case studies are based on the expert interviews I held in research phase III.\textsuperscript{447} I derived one case study from secondary data.\textsuperscript{448} Table 6-1 provides an overview of the selected case studies.

*Table 6-1: Case studies and types*

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Associated Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lorenz Bahlsen Snack-World GmbH &amp; Co KG</td>
<td>Snacking</td>
<td>The Differentiator</td>
</tr>
<tr>
<td>Dextro Energy GmbH &amp; Co. KG</td>
<td>Supplemental nutrition</td>
<td>The Specializer</td>
</tr>
<tr>
<td>Bonduelle Deutschland GmbH</td>
<td>Tinned vegetables and fresh cut salads</td>
<td>The Expander</td>
</tr>
<tr>
<td>Deutsche Bank AG</td>
<td>Banking</td>
<td>The Invisible</td>
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<tr>
<td>Bank Coop AG</td>
<td>Banking</td>
<td>The Communicator</td>
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<tr>
<td>Iglo GmbH</td>
<td>Frozen foods</td>
<td>The Extender</td>
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The investigation of the cases revealed six different new segment strategies and their respective successful implementation approaches. These different types have been labeled ‘The Differentiator’, ‘The Specializer’, ‘The Expander’, ‘The Invisible’, ‘The Communicator’ and ‘The Extender’. Figure 6-1 provides an overview of the different types. In the following sections, I present the case studies and introduce the various types.

\textsuperscript{447} For the list of expert interviews that were held in research phase III, please refer to Appendix A.
\textsuperscript{448} The case study of Deutsche Bank AG is based on secondary data. Deutsche Bank has been successful in targeting the ethnic minority of Turks in Germany. A similar case could not be detected among company representatives interviewed.
6.2.1 The Differentiator

6.2.1.1 Case Study: The Lorenz Bahlsen Snack-World GmbH & Co KG

Background and purpose of targeting efforts: Lorenz Bahlsen Snack-World GmbH & Co KG Germany (Lorenz Bahlsen Snack-World) employs approximately 3,000 employees and is a major player in the salty snacks market. It owns the brands Crunchips, NicNacs, Salletts, Erdnuß Locken, Snack-Hits, Naturals, Country Chips, Chipsletten, Pomsticks, World Selection (nuts), Tacitos, Party Clubs and Peppies. Within the potato chips category, Lorenz Bahlsen Snack-World introduced its major brand Crunchips in 1993 and has become one of the leading players in the potato chips category in Europe. The brand Crunchips is available in variants ranging from Bell Pepper, Cheese and Onion, Red Chili, Thai Sweet Chili to Western style, African style, limited editions and three different light versions. The brand Crunchips addresses a broad market segment that likes to snack in a social context. It is positioned as a vibrant chips brand with the best taste and crunch. To date, the major players in the potato chips category have all primarily advertised their brands as party chips that are consumed in a social context. Following the desire to grow and reach

449 The case study is based on expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)
non-users, Lorenz Bahlsen Snack-World examined the market and identified the purchase and consumption barriers for potato chip non-users in general and for non-users of Crunchips in particular. The examination revealed that a bag of chips totaling 175 grams is simply too big for consumers who live in a single household and have the desire to snack potato chips without throwing away half of the package. In addition, the examination revealed that a high proportion of non-users of Crunchips are educated and care for nutrition but still like to snack in order to reward themselves in situations such as coming home after a hard day of work. By exactly targeting this segment, Lorenz Bahlsen Snack-World aimed to establish a favorable image and the generation of immediate, sustainable and high sales levels within the new target segment. It did not intend to yield any attitudinal or behavioral responses from Crunchips customers.

**Contingencies – the segment-program fit and interaction effects:** The newly targeted consumers and the existing reference segment of Crunchips consumers deviated substantially in their purchase-relevant characteristics and could be characterized as highly deviating with respect to the concept of segment distance. The newly targeted consumers usually have educational and income levels above average, care about their nutrition and reflect this in their eating habits. Crunchips consumers, in contrast, are generally less educated, earn less and do not pay attention to food ingredients. The consumers of Crunchips eat potato chips in a social context, either at parties or in front of the TV. The newly targeted consumers, on the other hand, snack very consciously, prefer snacking alone and regard snacking as a reward. While the segment of the Crunchips brand was indeed bigger and consumed more potato chips, the newly targeted segment was still quite substantial and could be characterized with respect to the concept of segment specificity as a normal segment rather than a niche.

The newly targeted consumers barely consumed Crunchips potato chips as they usually did not eat potato chips in general. They linked the Crunchips brand with the potato chips category and associated the brand with adjectives such as unhealthy, unnatural and unsophisticated. Hence, their attitudes towards the brand were unfavorable. Similarly, the benefits provided by Crunchips, such as the emotional benefits of fun and party feeling, did not fit with the benefits that the new target segment sought. They even contradicted, as the newly targeted consumers sought the benefits of relaxation, reward, indulgence and snacking without a bad conscience. The new target segment was also willing to spend more money on snacks. They cared for high quality products and disliked artificial food ingredients. Hence, the fit between the new segment and the existing segment was extremely low. However, Lorenz
Bahlsen Snack-World could reach the new target segment over the same distribution channels as it used for the segment of Crunchips consumers. The new target segment also bought snacks at usual food retailers and watched TV. While the user imagery of a typical Crunchips consumer may have negatively influenced the purchase decision of the newly targeted consumers to buy Crunchips, the reciprocal effect does not seem as strong. A new offering hypothetically branded under the Crunchips brand would probably not lead to negative spillover effects.

**Adaptation intensity of the marketing program:** Lorenz Bahlsen Snack-World introduced the brand Naturals in 2006 in order to target the new market segment. The packages of the brands Crunchips and Naturals both refer to the corporate brand Lorenz, but market research results revealed that consumers do not relate the brands to the corporate brand. Hence, the introduction of the Naturals brand can be classified as the introduction of an independent brand. The positioning of Naturals refers to the benefits of ‘snacking without a bad conscience’, natural indulgence and time for relaxation. The adaptation intensity of the positioning is high. The positioning of Naturals and Crunchips oppose. Naturals come in bags of 110 grams, which reduces the amount of possible leftovers. The potato chips do not have any flavor enhancers, preservatives or artificial flavors. The chips are made of regionally grown potatoes, sliced with the peel to enhance their natural look, and are fried in natural sunflower oil. The Crunchips package conveys the party and fun feeling with intense colors. The Naturals package design is rather reduced and uses natural colors. It provides nutritional facts and a tag that emphasizes the nutritional benefits of Naturals. While Crunchips are priced at 1.89 Euros per 175-200 gram bag, Naturals are priced at 1.69 Euros per bag of 110 grams. Both brands are distributed over the same distribution channels, which primarily encompass normal food retailers, gas stations, hotels, restaurants, video stores, travel airlines and the railway carriages. Naturals were introduced with an accompanying TV advertisement in order raise the new brand’s awareness and educate consumers. The spot, called ‘Was sind eigentlich Naturals’, showed how the potato chips are made, rationally argued the nutritional advantages of Naturals and emphasized the emotional benefit of indulgence. In addition, Lorenz Bahlsen Snack-World invested in sampling and premium secondary displays. Metal displays with a natural look were situated in the wine area of food retailers to encourage consumers to snack Naturals while they enjoy a glass of wine. After the introduction of Naturals, TV commercials have been repeated to ensure a continued media presence. Figure 6-2 depicts the storyboard of the most recent commercial, which emphasizes the natural ingredients of Naturals, the benefit of indulgence and
the benefit of ‘snacking without a bad conscience’. Lorenz-Bahlsen Snack-World has intensely adapted its marketing program for the new target segment. It adapted almost all the components of its marketing program to a high degree (see Table 6-2).

Figure 6-2: Storyboard of Naturals advertisement

**Employed resources and success:** Lorenz Bahlsen Snack-World invested many resources into the adaptation of its marketing program for the new target segment. A new brand was established that required and still requires TV coverage in order build up appropriate awareness levels. Lorenz Bahlsen Snack-World invested in product development as well as production capacities. The investments were worth it; the introduction of Naturals was an immediate success and still is. Lorenz Bahlsen Snack-World acquired many new customers, many of whom did not previously eat potato chips. It has exceeded its sales objectives and sales levels still grow. To date, six different variants of Naturals exist: Sea Salt and Pepper, Mild Pepper, Balsamic Vinegar, Mild Chili, Light and Rosemary.

**Conclusion:** Table 6-2 presents an overview of the contingencies and the resulting adaptation intensities of the marketing program components. Lorenz Bahlsen Snack-World decided to target a market segment that was quite different from its existing segment of Crunchips customers. Lorenz Bahlsen Snack-World adapted its marketing program intensely, as the fit between the new target segment and the existing marketing program was very low. It had to adapt its marketing activities to comply with the characteristics of the new target segment. The negative attitudes of the new target segment towards the brand Crunchips and the opposing benefits the segment sought required the intense adaptation of marketing activities.
Table 6-2:  Profile: Lorenz Bahlsen Snack-World

<table>
<thead>
<tr>
<th>Purpose of Targeting Efforts</th>
<th>The creation of positive attitudinal and behavioral responses</th>
<th>None</th>
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</thead>
<tbody>
<tr>
<td>Segment-Program Fit</td>
<td>None Low Moderate High</td>
<td></td>
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<tr>
<td>Interaction Effects</td>
<td>Potential spillover effects: Irrelevant (potentially negative)</td>
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<td></td>
<td>Potential cannibalization effects: Irrelevant</td>
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<tr>
<td>Adaptation Intensity</td>
<td>None Low Moderate High</td>
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<td>Brand</td>
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<td>Communication</td>
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<tr>
<td>Vertical Adaptation Intensity</td>
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<tr>
<td>Resource Intensity</td>
<td>Low Moderate High</td>
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6.2.1.2 Conclusions for ‘The Differentiator’

The Differentiator is a company that targets a very different, new target segment and wants to generate additional revenue. The Differentiator is a company that identifies very different and opposing needs of consumers. It intensely adapts its marketing program for the new target segment. Companies that target a substantially different segment need to adapt their marketing program to a high degree in order to be successful. The Differentiator faces low fit between the new target segment and the existing marketing program. More specifically, newly targeted consumers have an unfavorable attitude towards the brand and seek benefits that are substantially different to the benefits that the existing offering delivers. As a result, the company must adapt the brand and positioning intensely. The product and marketing communication, which are the primary means through which benefits are conveyed, require substantial adaptations. It is assumed that the targeting efforts may often accompany an adaptation of the price-benefit relationship. The new offering competes in a different value category than the existing offering. It is also assumable that companies in a similar situation to Lorenz Bahlsen Snack-World face the problem that the media usage and shopping behaviors of the new target segment do not fit with the existing distribution and communication channels utilized by the company. In this case, the company needs to adapt its distribution system for the new target segment and employ different
communication channels. It is also assumable that companies targeting a very different segment may face possible negative spillover effects, which strengthens the need to adapt the marketing program intensely.

6.2.2 The Specializer

6.2.2.1 Case Study: Dextro Energy GmbH & Co. KG

Background and purpose of targeting efforts: Dextro Energy GmbH & Co. KG (Dextro Energy) is a German company that produces dextrose products. In Germany, Dextro Energy is the market leader in the dextrose market and currently exports its products to 19 countries. Dextro Energy is most famous for its cube packaged dextrose, which was introduced in 1935. It has evolutionarily introduced variants of its original product in terms of taste since then. In 2004, Dextro Energy extended its product line with the introduction of energy bars that combine dextrose with additional healthy carbohydrates. The dextrose products are targeted to a broad segment that seek an energy boost to increase their concentration and performance, such as students, professionals, sports people, car drivers and diabetics. In 2010, Dextro Energy entered a new target segment: the so-called performers. Performers are endurance sport athletes who regularly and intensely take part in sports, for instance running, triathlons or cycling. Performers are very ambitious, disciplined and goal-oriented. They require special nutrition that increases their physical performance. By targeting the performers, Dextro Energy intended to generate additional sales to the existing business and to generate positive spillover effects to the brand of Dextro Energy. It wanted to modernize its brand and increase its perceived competence in providing energy.

Contingencies – the segment-program fit and interaction effects: Performers are a very small and specific niche in the supplemental nutrition market. While Dextro Energy targets its dextrose cubes at a broad segment that seek energy boosts for different reasons, the aggregation level for the segment of performers, approached with the sport nutrition line, is much more specific. The newly targeted performers care greatly about their nutrition, are well-educated with respect to nutrition, plan their nutrition consciously and spend a considerable amount of money on nutrition. In contrast, Dextro Energy dextrose cube customers impulsively consume dextrose when the need for an energy boost emerges. While dextrose cube customers seek an increase in mental performance, performers seek to increase their physical performance.

450 The case study is based on expert interview [41], Dextro Energy (Ehrenbeck)
Performers are usually aware of the brand Dextro Energy and have a positive attitude towards it. Most athletes have come across the Dextro Energy dextrose cubes at a certain point in time and they connect the brand to energy and the sports category. Hence, the attitude towards the brand is favorable. The benefits provided by the dextrose cubes (i.e. improving energy, concentration and performance) mostly relate to mental performance. While performers also need to have strong mental performance, sports nutrition should primarily increase physical performance. Performers demand much more specific benefits. They look for nutrition that is easily consumable, effective, easy to digest and tasty. Additionally, the nutrition should facilitate the supply of energy before, during and after the training and sports contests. Although not contradicting, the benefits deviate to a certain degree and can be classified as independent from the benefits provided by the dextrose cubes. Performers have high expertise with respect to their sports, the required equipment and nutrition. They shop in specialized stores, demand consultancy and critically reflect upon their consumption. Performers use and extract relevant nutritional information from the internet and specialized magazines. They also exchange heavily information online via blogs or personally during training sessions. However, the existing offerings of Dextro Energy are primarily sold at food retailers, pharmacies and drug stores, kiosks and gas stations. Marketing communication is mostly placed in communication and media vehicles that provide a broad reach. Hence, the media usage and shopping behaviors of the new target segment did not fit with the existing communication channels and distribution system used by Dextro Energy. Although the attitudes of the new target towards the brand Dextro Energy were favorable, the ‘segment-program fit’ was rather low. More specifically, the benefits that the new target segment sought and their media usage and shopping behaviors barely fit with the existing marketing program. Potential negative spillover effects did not matter in the introduction of this product. Quite the contrary: potential spillover effects were deemed to be positive.

Adaptation intensity of the marketing program: Dextro Energy chose to brand its new sports nutrition offering as a sub-brand (i.e. Dextro Energy Sports Nutrition) with strong endorsement from the parent brand and the extension of Sports Nutrition to clarify and sharpen the offering. Dextro Energy benefited from high awareness levels and the positive associations that performers attach to the brand of Dextro Energy. As previously stated, the existing positioning refers to increased concentration and mental performance, which Dextro Energy adapted and concretized to increased physical performance. Dextro Energy traded the offering up. Relating the dextrose cubes and the sports nutrition line to the sports context, the new product range provided
substantially more benefits at a much higher price. The newly developed products did not resemble the well-known dextrose cubes in any way. The products are available in the forms of gels, drinks, bars and tablets to cater to the consumption preferences of endurance athletes. The product ingredients were substantially extended to include a whole range of performance increasing nutrients. Dextro Energy changed the functional packaging design to provide a practical consumption of the products in various consumption situations.

Distribution has also been adapted intensely. Dextro Energy selectively distributes its sports nutrition line via specialist sport stores, sports retail chains, internet platforms and endurance sports events. In 2010, Dextro Energy promoted and sold its products at 145 sport events. Communication practices have also been substantially adapted. Advertising campaigns featured prominent endurance athletes who recommended Dextro Energy Sports Nutrition and emphasized the offering’s benefits (see Figure 6-3).

Figure 6-3: Advertisement for Dextro Energy Sports Nutrition

Dextro Energy published the advertisements in specialized sports magazines to conform to the media usage of the segment. Promoters gave samples to performers with the aim of initiating word-of-mouth effects from performers. The website of
Dextro Energy provides additional information and presents scientific evidence of the sport nutrition’s effectiveness. Dextro Energy is also the main sponsor of the Dextro Energy ITU Triathlon World Championship Series. It uses triathlon events to market the sports nutrition range, to get in contact with performers and to increase the associations of performance and endurance sport with the brand. The vertical adaptation intensity of the marketing program targeted to performers is moderately high. Dextro Energy intensely adapted all the components, except for the brand.

**Employed resources and success:** Dextro Energy invested quite a substantial amount of effort and resources in order to target performers. The development of the sports nutrition product line required intensive research activities, which were partly outsourced. Dextro Energy also had to develop new production capacities. The creation of the distribution system also necessitated efforts and investments. Dextro Energy had to build up and source the necessary expertise to gain a foothold in the fragmented sports retail market in Germany. Dedicated key account managers were employed and other sales activities outsourced to specialized distributors. The efforts paid off as Dextro Energy was able to install a successful national and international distribution system within a year. Performers adopt the offering and are extremely satisfied. Dextro Energy has so far achieved the goals it has set.

**Conclusion:** Table 6-3 presents an overview of the contingencies faced by Dextro Energy and the resulting adaptation intensities. By targeting a niche segment with very specific behaviors who were seeking particular benefits, Dextro Energy had to adapt and specify its positioning, product concept, communication practices and the distribution system. The adaptation intensity can be characterized as moderately high. The use of the strong parent brand enabled Dextro Energy to benefit from existing awareness levels, as well as a positive reciprocal effect regarding the brand’s competence.

### 6.2.2.2 Conclusions for ‘The Specializer’

The Specializer is a company that targets a very specific niche and accordingly adapts its marketing program for the new target segment very intensely. A strong brand is used to benefit from awareness levels. The Specializer partly targets a niche to build up expertise in a very specific area, which can be transferred to an existing segment or enriches the parent brand. The benefits that a niche segment seeks are very specific, requiring the adaptation and specification of the positioning and product. Niche segments comprise consumers who are part of a certain community and share specific needs and behaviors. Niche consumers are experts and use specific communication
channels to retrieve and exchange information. Niche products are often sold in specialized stores, forcing the company to at least partly adapt its distribution system. The specialization of an offering enables a company to demand higher prices and trade its offering up.

Table 6-3: Profile: Dextro Energy

<table>
<thead>
<tr>
<th>Purpose of Targeting Efforts</th>
<th>New Segment</th>
<th>Existing Segment</th>
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<th>Segment-Program Fit</th>
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<tr>
<td>Interaction Effects</td>
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<td>Potential cannibalization effects</td>
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<tr>
<th>Adaptation Intensity</th>
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<th>Resource Intensity</th>
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6.2.3 The Expander

6.2.3.1 Case Study: Bonduelle Deutschland GmbH

Background and purpose of targeting efforts: Bonduelle Deutschland GmbH (Bonduelle) is a German subsidiary of the French Bonduelle Group. In Germany, Bonduelle is the market leader in processed vegetables and is particularly known for its tinned vegetables with the slogan ‘Bonduelle ist das famose Zartgemüse aus der Dose’. Bonduelle Group diversified its business with the acquisition of Salat Minute and entered the market of fresh cut salads in 1997. Fresh cut salads are prewashed, precut and sold in plastic bags. Over the years, Bonduelle Group has acquired further players in the fresh cut salad market. In 2003, it bought Michel Caugant in France and VITA GmbH in Germany.

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451 The case study is based on expert interview [36], Bonduelle (Kuhnle)
Consumers of tinned vegetables and fresh cut salads differ. Consumers of fresh cut salads are generally younger than those of tinned vegetables. Bonduelle’s customers of both categories seek convenience and high quality products. Tinned vegetables allow fast preparation and a long storage time. Fresh cut salad consumers tend to be a bit younger, are more in most cases female and are employed. They want to have a fresh product but rarely have the time to wash and cut a salad. The fresh cut salad offers them convenience as it is prepared fast. Consumers of Bonduelle’s tinned vegetables and fresh cut salads therefore share the benefit of convenience.

Triggered by employees who faced difficulties with motivating their children to eat salad, Bonduelle pursued the idea of developing a fresh cut salad variant especially targeted at mothers and their children. The objective was to motivate mothers as purchasers to buy the fresh cut salad variant and to motivate children not only to eat salad, but to enjoy eating salad. Hence, two target segments actually had to be won at once. Bonduelle strived to win non-users of fresh cut salads and generate sustainable sales levels. In addition, it aimed to achieve positive reciprocal effects for its brand. The fresh cut salad variant was intended to lend the brand a more modern and dynamic image.

Contingencies – the segment-program fit and interaction effects: The existing segment of young, mostly female professionals and the new target segment of women with children are close and even partly intersect on a few purchase-relevant segment characteristics. However, they are also moderately distant on others. While young, female professionals live in single or two-person households, the new target segment lives a typical family lifestyle in which consumption is substantially influenced by the mother’s care for her children and the children’s taste. Young, female professionals primarily seek convenience and freshness when they prepare and consume a salad. For mothers, convenience is not as important, although they favor the fast preparation of meals. They want to have good and fresh ingredients. They like to prepare food that their children find tasty and fun to eat. The average mother has a very positive attitude towards the brand Bonduelle as it is associated with high quality. The brand has very strong awareness levels in the market and consumers know the brand. They attach experiences from the past to it. However, mothers had rarely purchased existing Bonduelle fresh cut salads. The established product range of salad mixes often includes certain salad types that are bitter to a children’s taste. The provided benefit of convenience is not the primary purchase reason for mothers. They seek fresh vegetables. Regular fresh salads deliver this benefit more credibly than fresh cut salads. Mothers perceive the disadvantages of washing and cutting a salad oneself as
not sufficiently important to change from regular fresh salads to fresh cut salads. Mothers purchase products very consciously and usually buy products at a normal retailer. They shop in specialty stores and fresh markets when their income level allows it.

The media usage of mothers partly deviates from existing Bonduelle communication practices: they tend to read magazines that cover the subjects of family and cooking. Bonduelle had not previously used these media vehicles to advertise their offering. Children have very special media usage behavior. For instance, children watch specific TV channels. Bonduelle had not specifically communicated to children before. To summarize, the distance between the new target segment and the fresh cut salad offering and its associated marketing program was moderately low. Mothers have a favorable attitude towards the brand but the existing marketing activities did not cover the needs that the segment seeks and did not comply with the segment’s media usage behavior. Interaction effects play a subordinated role. Bonduelle assumed that existing customers would appreciate its targeting efforts and would have a favorable attitude towards the new offering. However, cannibalization effects were not expected.

*Adaptation intensity of the marketing program:* Bonduelle utilized its strong brand to market its offering for the new target segment and developed the sub-brand Bonduelle Frischer Kindersalat. The low adaptation of the brand enabled Bonduelle to benefit from established awareness levels, the brand’s credibility and the associations of high quality attached to the brand. The extension of the brand with the endorsement Frischer Kindersalat emphasized the benefit of freshness while also connecting the brand to the consumers of the brand. Bonduelle partially adapted the positioning. While less emphasis was set on the benefit of convenience, the benefit of freshness became more important and was extended by the benefit of fun when eating salad. In this way, the benefits relate to both mothers and children. Children would derive satisfaction as they would enjoy eating salad and mothers would derive satisfaction as they could provide healthy food that is eaten and enjoyed by the child.

Bonduelle adapted the product to a moderate degree. It changed a few functional and aesthetic product characteristics as well as the aesthetical design of the packaging (see *Figure 6-4*). Ingredients were reduced to lettuce and carrots. Lettuce is a favored salad ingredient of children as it is not bitter. The carrots in the salad are stamped in the form of stars. They provide children with a sweet taste and the required fun factor. Bonduelle also adapted the aesthetics of the packaging. It is colorful and illustrates SalaHasi. SalaHasi is a comic rabbit that endorses the new offering and whose ears and green color refer to salad. Bonduelle priced the new salad variant in the middle
range of salad products and distributed it via the same channels as other fresh cut salads, which primarily constitute regular food retailers. The communication was intensely adapted. The new fresh cut salad variant was advertised on TV; the humorous advertisement presented SalaHasi chasing carrot stars. It was aired on a children’s TV channel. The TV spot enabled Bonduelle to reach children and mothers, since approximately 40 percent of mothers watch TV together with their children in Germany. Bonduelle also advertised the offering in family-oriented print magazines. In addition, Bonduelle used premiums to attract consumers and trigger repurchases. Each bag contains premium-stars, which children can collect and redeem for games and toys. The internet has also been employed to get in contact with mothers and children. The website of Bonduelle provides additional information and online games. The adaptation intensity of the existing marketing program was moderate. Bonduelle primarily adapted the offering’s positioning, product concept and marketing communication (see Table 6-4).

**Figure 6-4: Bonduelle Frischer Kindersalat**

Employed resources and success: Bonduelle invested resources mainly in market research, the adaptation of the product and communication, as well as promotions. Compared to usual line extensions, Bonduelle’s investments were comparatively high. The efforts undertaken proved to be successful and sales levels are more than satisfactory. Bonduelle Frischer Kindersalat has received positive attitudinal and behavioral responses from mothers, as well as children. The new salad variant is now a substantial part of Bonduelle’s product portfolio.
Conclusion: Bonduelle decided to target a segment that was moderately different from existing segments. Bonduelle had to adapt the positioning and refer to the additional benefit of fun. The benefits delivered to the existing segments did not provide a reason for mothers to buy an existing Bonduelle fresh cut salad variant. Smart adaptation of the product concept and communication content, as well as the creative execution, allowed Bonduelle to increase the relevance of the product for the target segment. The new target segment used different media channels than the existing reference segment. Hence, Bonduelle employed specific communication channels that reach mothers and children.

Table 6-4: Profile: Bonduelle

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<tr>
<th>Resource Intensity</th>
<th>Low Moderate High</th>
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6.2.3.2 Conclusions for ‘The Expander’

The Expander is a company that targets a segment that is moderately distant from existing segments. The Expander benefits from awareness levels and a general positive attitude towards its brand. While existing offerings provide basic benefits favored by the new target segment, the offerings are not perceived as the best alternative and lack an important benefit. The new target segment is moderately distant and their purchase as well as media usage behaviors may be different from those of existing target segments. In these circumstances, a company may need to partially adapt its distribution and communication channels. The Expander is successful in winning the
new target segment when it adapts its benefit positioning and product concept, as well as communication practices, to convey the benefits that the segment seeks. *The Expander* can also improve the image of the parent brand, as the associations of the new offering can positively contribute to the brand’s perceived competence.

### 6.2.4 The Invisible

#### 6.2.4.1 Case Study: Deutsche Bank AG

**Background and purpose of targeting efforts:** Deutsche Bank AG (*Deutsche Bank*) is the leading German bank, with more than 100,000 employees in 73 different countries. It is a global investment bank with a significant retail banking business. Deutsche Bank’s private client segments vary in socio-economic status and value orientation; it serves the segments of ‘the wealthy’, ‘dynamic investors’, ‘wealth creators’, ‘modern families’, ‘modern singles’ and ‘young first-time customers’.\(^{452}\) Each of the segments is further profiled, providing information about the segment’s demographic characteristics, wealth status, lifestyle and expenditures, as well as expectations towards banking products and services. This segmentation approach allows Deutsche Bank to create segment-specific marketing and sales approaches.\(^{453}\)

*Deutsche Bank* sets a high priority on diversity. It acknowledges the duty to encourage diversity and it has set up a global diversity team. The team, which is responsible for fostering diversity, has implemented various diversity initiatives. Diversity is part of Deutsche Bank’s corporate culture and one of its leadership principles.\(^{454}\) Triggered by the idea of Turkish employees, Deutsche Bank started to actively target Turks in Germany in 2005. A transition within the Turkish population in Germany has occurred within the last decades. The first generation of Turks in Germany came as foreign workers in the 1960s and planned to stay temporarily. However, many of them actually never left and, in the meantime, the number of third and fourth generation Turks in Germany has risen. They perceive Germany as their home country but at the same time feel Turkish.\(^{455}\) By targeting the various generations of Turks who live in Germany, Deutsche Bank wanted to provide services that are tailored to the needs of Turks and consequently win new customers. At the same time, Deutsche Bank did not want to irritate its German customers or lose any of its existing customers.\(^{456}\)

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\(^{452}\) Böcker et al. (2004), p. 41  
\(^{453}\) Böcker et al. (2004), pp. 42-43  
\(^{454}\) Köppel and Sandner (2008), p. 26  
\(^{455}\) Köppel and Sandner (2008), p. 28  
\(^{456}\) Schuchert-Güler (2009), p. 32
**Contingencies – the segment-program fit and interaction effects:** The young generation of Turks speaks German perfectly. Older generations usually have difficulties communicating in German when it comes to complex subjects, such as banking products and services. The transfer of money, for instance, can become a real hassle for the older generation when they do not understand German banking jargon. The older generation often requests help from friends and families when they go to a bank. In general, Turks in Germany are proud of their culture and value when companies specifically take care of their needs. Turks are usually more status-oriented than the typical German consumer. Deutsche Bank is known as a prestigious bank and is considered reliable among Turks. Deutsche Bank is a brand that is appreciated and associated with competence, integrity and trust. Turks usually have a favorable attitude towards the brand Deutsche Bank.

Although Turks demand products and services that are not very different from the demands of a typical German customer, they have different savings and expenditure patterns. Turks are generally more generous and spend more money. Turks support their relatives in Turkey and transfer money to Turkey on a regular basis. Germans often educate themselves when it comes to banking products and visit various banks to compare services. Turks rely much more on a personal and trustful relationship with their advisor. Deutsche Bank can deliver the primary benefits that Turks seek. However, Turks attach importance to personalized advice, which complies with their cultural background. Deutsche Bank could provide this personal service only when a Turkish customer happened to be served by a Turkish advisor. Turks tend to go to a bank’s branch in their neighborhood, as Germans do. However, Turks have very different and specific media usage behavior. Turks watch Turkish TV channels over satellite and listen to specific radio stations. They read Turkish newspapers, such as Sabah, Hürriyet or Milliyet, which are distributed in and localized for the German market.

The fit between the target segment of Turks and the existing marketing program at the time of Deutsche Bank’s targeting efforts can be classified as moderate. Turks showed a favorable attitude towards the brand but demanded products and services that complied better with their cultural background than the existing practices of Deutsche

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457 Kessler (2006), p. 44
458 N.N. (2007)
459 Kessler (2006), p. 44
460 N.N. (2008), p. 2
461 Calik (2010), p. 65
462 Expert interview [27], Beys (Gözüakça)
Bank. Existing communication channels did not fit with the specific media usage behavior of Turks. The targeting efforts directed at Turks may have incorporated potential negative spillover effects. German consumers could have been confused if they were exposed to marketing activities directed at Turks.463

Adaptation intensity of the marketing program: Deutsche Bank promoted the offering for Turks who live in Germany under the sub-brand Deutsche Bank Bankamiz. Bankamiz is Turkish and means ‘our bank’ or ‘the bank for us’. The use of the sub-brand provides linkage to the strong Deutsche Bank brand while differentiating it for the Turkish culture. With Bankamiz, Deutsche Bank positions itself in the target segment as a trustful, reliable and integral bank, as it does within other targeted segments. It additionally emphasizes its cultural competence and understanding. It is the bank ‘that speaks your language’ and understands the concerns and needs of Turks.464 The product portfolio available to the segment of Turks is the same product portfolio targeted at German customers. However, it was extended by additional services, such as five free transactions to Turkey per year, as well as credit cards with the ‘Nazar Boncuk’ or ‘Bosporus’ motifs.465

Deutsche Bank offers the dedicated Bankamiz services in 48 branches in Germany. The branches are located in areas that are densely populated by Turks. The branches are not exclusively Bankamiz branches and indeed the branches do not differentiate from any other branch of Deutsche Bank.466 However, in these branches dedicated advisors with a Turkish background offer advice and service in German and Turkish.467 In addition, Deutsche Bank has established a call center for its Turkish customers and a dedicated web site (www.bankamiz.de), where Turks can retrieve all information in Turkish or German (see Figure 6-5).468 Advertisements are aired on Turkish TV channels and radio stations. Deutsche Bank sponsors local and regional festivals within the Turkish community.469 Deutsche Bank has also established a recommendation program with premiums, such as jerseys of famous Turkish soccer clubs.470 The adaptation intensity of the marketing program targeted to the Turks is primarily restricted to distribution and communication practices. Horizontal adaptation intensity is moderately high with respect to adaptations in the distribution system and

463 N.N. (2007)
464 Musiolik (2010), p. 48
465 Köppel and Sandner (2008), p. 28
466 Musiolik (2010), p. 49
467 Köppel and Sandner (2008), pp. 26-27
468 N.N. (2008), p.2
469 Köppel and Sandner (2008), p. 28
470 N.N. (2007), p. 2
high with respect to communication channels, content and creative execution. The vertical adaptation intensity can be characterized as moderately low.

**Figure 6-5: Website www.bankamiz.de in Turkish**

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**Employed resources and success:** With its marketing program for Turkish citizens in Germany, Deutsche Bank has utilized a moderate amount of resources. Employees who are Bankamiz specialists receive particular training to serve the new target segment. The majority of investments were spent on communicative purposes. Deutsche Bank set up a call center to provide advice on the phone. It runs campaigns on TV and radio and sponsors cultural festivals in order to reach the target segment. Deutsche Bank has been very successful in targeting Turkish citizens in Germany. In 2007, Deutsche Bank had 230,000 Turkish customers, raising the number of new customers significantly.

**Conclusion:** Table 6-5 presents an overview of the contingencies faced by Deutsche Bank and the resulting adaptation intensities. Deutsche Bank had a very promising standing with Turkish customers. It partly adapted its products, provided advice in Turkish from native bank advisors and used segment-specific media vehicles to better reach and serve the target segment. It won the trust of Turkish citizens in Germany and eased the banking business for them. The isolation of the Bankamiz services to areas that are mostly populated by Turks, combined with the use of specific media channels,

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471 Köppel and Sandner (2008), p. 29
472 N.N. (2008), p. 2
allowed Deutsche Bank to target Turks without existing German customers recognizing it. In this way, Deutsche Bank avoided negative spillover effects.

Table 6-5: Profile: Deutsche Bank

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<tr>
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<td>Resource Intensity</td>
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6.2.4.2 Conclusions for ‘The Invisible’

The Invisible is a company that targets a market segment without existing customers perceiving it. The Invisible has a high reputation among newly targeted customers and products are appreciated and liked. Winning the new market segment would probably be easy for The Invisible. The challenge for The Invisible is that the new target segment may negatively affect existing customer relationships. The imagery of the new target segment may not be coherent with existing customers’ perceptions and may negatively influence the attitudes of existing customers. In order to avoid potential negative spillover effects, The Invisible uses communication and distribution channels that differ from the channels employed for existing customers, reducing the chance that existing customers would perceive the targeting efforts. Hence, adaptation is mostly undertaken in the areas of distribution and communication. These adaptations may be accompanied by minor adaptations in the positioning and product to better cater to the needs of the new target segment.
6.2.5 The Communicator

6.2.5.1 Case Study: Bank Coop AG

**Background and purpose of targeting efforts:** Bank Coop AG (Bank Coop) is a leading Swiss retail bank that operates in Switzerland. It offers a full range of banking services targeted to private customers and small and medium-sized businesses. Bank Coop acts and operates along its principle of ‘fair banking’. It aims to provide reliable and trustworthy services with fair conditions. Bank Coop strives to serve its clients’ needs, to provide transparent services and to find suitable solutions for its clients. Ten years ago, Bank Coop started the ‘eva program’, an initiative to better serve the needs of female customers. The initiative was accompanied by an internal diversity program steered by human resources to value and to serve the richness and differences of both genders at Bank Coop. As the role of women has changed in society and women comprise more than half of the Swiss population, Bank Coop decided to target women distinctively. The eva program aimed to provide suitable financial advice and banking services to women in various lifecycle stages. In doing so, Bank Coop wanted to position itself as an expert and partner who understands women better than any other bank.

**Contingencies – the segment-program fit and interaction effects:** Compared with men, women are more reluctant to take care of their financial issues. Women generally perceive banking issues as a burden, tending to stick to known products and services. They are more critical in the evaluation and selection of banking products and services. Women want to understand and only adopt a banking product or service when they understand it. They tend to be more risk-averse than men. While men want to build up financial wealth, women usually want to secure existing wealth. Women generally have a positive attitude towards Bank Coop. No differences actually exist between male and female customers’ attitudes towards the brand. Bank Coop has positioned itself as a generalist retailing bank and fair partner that provides honest and trustworthy banking at fair prices. These benefits do not contradict with the benefits that women seek. However, women demand benefits that are more specific. They want to really understand financial services and demand a banking partner who takes serious care. Women go to a branch of a bank in their neighborhood, as men also do. Bank Coop can serve women with the established branch network. Women seek personal advice and can find it in Bank Coop branches. Women tend to have different media

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473 The case study is based on expert interview [40], Bank Coop (Peter)
usage than men and tend to attach more importance to personal communication channels and recommendations. In general, the existing marketing activities of Bank Coop fitted quite well with the target segment of women. Women have a favorable attitude towards the brand, demand similar products and use the existing distribution channels. However, women demand specific benefits and a personalized service that Bank Coop could only provide insufficiently. Segment interaction effects were presumed to be irrelevant.

Adaptation intensity of the marketing program: In order to target the new market segment, Bank Coop introduced the sub-brand Bank Coop eva, a sub-brand that provides strong association with the target segment. The positioning of eva is more concrete than Bank Coop’s general positioning of fair banking. It integrates the existing positioning of fair banking but extends it to various lifecycle stages. Bank Coop provides women with specific solutions for situations in life, such as how to finance education, how to deal with wealth as a single mother and how to finance a life as widow.

The pricing and banking products that Bank Coop offers to women are no different from those provided to male customers. Bank Coop has not developed exclusive female products, such as a particular credit card. However, Bank Coop provides an array of additional services targeted exclusively at women. More specifically, Bank Coop has established collaborations with organizations. Women can join seminars, courses and events that cover various topics (e.g. personal skills, health, beauty and business). Bank Coop has not adapted its distribution practices. It serves women within all 33 of its branches in Swiss cities. It has undertaken major adaptations in its communication practices, the most important of which was the personal communication and sales approach. Every sales representative at Bank Coop has undertaken specific training and role plays. This training supports the representatives in better identifying the specific needs in the various life stages of women, in order to build up trust and to communicate with them empathetically. In addition, Bank Coop has established the ‘eva letter’, which is a newsletter informing its recipients about financial issues from a woman’s point of view. It has developed special pocket guides for women that give advice on topics such as pensions, entrepreneurship, real estate and property and general investments, as well as hereditary and marital law. Bank Coop sets high priority on public relations. It regularly releases publications in specific media, such as the magazine Emotion. Adaptation intensity is, in general, rather low and is limited to communication practices (see Table 6-6).
**Employed resources and success:** Bank Coop has primarily invested in its employees. It provides training that enables them to communicate effectively with the target segment. It invests time and efforts into information materials for women, such as the eva letter or pocket guides, and constantly puts efforts into public relations. Investments into new products or the distribution system were not necessary. Hence, investments can be classified as low. Bank Coop has been very successful in its attempt to target women. Many banks in German-speaking countries have also put efforts into the segment of women. While many banks have reduced or totally cut their efforts to actively target women, Bank Coop has been extremely successful. Women comprise a substantial part of Bank Coop’s business and its efforts to serve women are recognized and perceived to be valuable.

**Conclusion:** Table 6-6 presents an overview of the contingencies and the resulting adaptation intensities. Bank Coop primarily adapted its communication practices. Women do not require different banking products than men, but they have very diverse needs in specific lifecycle stages. These needs can be perfectly served with existing products. However, different approaches and communications are required to reach women effectively and to convince them to enter into a banking partnership. The gender-specific consulting and sales approach enabled Bank Coop to successfully win the trust of its female customers.

**Table 6-6: Profile: Bank Coop**

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6.2.5.2 Conclusions for ‘The Communicator’

*The Communicator* is a company that emphasizes its expertise in the delivery of a specific benefit. The needs of the target segment can be served effectively with existing products, with no or only minor adaptations. The main strength of *The Communicator* is its ability to convince a target segment that it really understands their needs and concerns and is able to deliver the benefits that they seek. In order to win customers sustainably, a company must keep the promises it makes. Hence, the company should not make empty promises. When the shopping behavior of the new target segment does not differ from the shopping behavior of an existing segment, *The Communicator* does not need to adapt its distribution system. The marketing program for the new target segment requires relatively small adaptations.

6.2.6 The Extender

6.2.6.1 Case Study: Iglo GmbH

**Background and purpose of targeting efforts:** Iglo GmbH (Iglo) is a German producer of frozen foods in the categories of fish, vegetables, poultry, convenience foods and red meat. It used to belong to the *Unilever Group*, but it was divested together with the frozen food brand *Birds Eye* in 2006. Iglo is now part of the *Birds Eye Iglo Group* owned by the private equity company *Permira*. Iglo has been known in Germany since 1959. It is especially famous for its fish sticks and creamed spinach. Iglo is the leading brand within the fish and vegetables category. Five years ago, new target segments became highly relevant to Iglo. It was bought by Permira, which demanded high growth rates. Iglo entered new categories in the frozen food sector and extended its product portfolio within existing ones. Within the fish category, Iglo doubled the number of products within its portfolio. The recent growth efforts of Iglo also include the introduction of salmon filet sticks. Families with children aged between five and twelve are the usual target segment of the famous Iglo fish sticks. With the purpose of extending fish sticks beyond the existing target segment, Iglo decided to target singles and couples without children between the ages of 20 and 35 with a specific fish sticks offering. Although the segment did not buy fish sticks, customer insights revealed that the target segment really liked them. The findings disclosed that the target segment associated traditional fish sticks with a children’s dish. The segment would have preferred fish sticks that provided more variety and a more exclusive fish. With its targeting efforts, Iglo pursued the goal of sustainably

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474 The case study is based on expert interview [45], Iglo (Erler)
winning the new target segment. It also wanted the existing target segment of families to buy the new offering, since the new offering provided a higher margin. Hence, the purpose of the targeting was to generate sales within the newly targeted segment of singles and couples without children, as well as to generate positive cannibalization and up-selling effects within the existing target segment of families.

**Contingencies – the segment-program fit and interaction effects:** The segment of families and the segment of singles and couples aged between 20 and 35 are close to each other in terms of demographic and behavioral characteristics. Singles and couples tend to go out for lunch or dinner more often than families. Both segments shop at the same food retailers and consume similar foods and brands. The segments are quite distant with respect to their lifestyles. Whereas singles and couples are very independent, life in the family is usually centered on the children. The children’s tastes often determine or restrict eating habits within families. Singles and couples, in contrast, like variety in their food. They enjoy eating good food and are willing to pay more for it.

*Iglo* and its icon *Käpt’n Iglo*, who endorses the fish sticks, were well-known among the newly targeted customers. They sympathized with the brand. Attitudes and brand image dimensions throughout the new target segment were very favorable. The existing reference segment and new target segment used the same shopping retailers to buy frozen products. Existing distribution practices fitted with the shopping behavior of the new target segment. *Iglo* could reach both segments effectively via the television spots in which the traditional fish sticks were advertised. The segments differed to a certain extent in the benefits they sought. While both segments sought the good taste, value and convenience of *Iglo* fish sticks, the new target segment did not usually buy fish sticks. They associated fish sticks with a children’s dish and wanted more variety. In general, the ‘segment-program fit’ was moderately high. Existing marketing activities fitted with the characteristics of the new target segment. The existing marketing program was, however, not able to fully provide the benefits that the new target segment sought.

**Adaptation intensity of the marketing program:** *Iglo* branded the salmon filet sticks under the corporate brand of *Iglo*, including its iconic endorser *Käpt’n Iglo*. The new offering benefits from the strong awareness and image levels of the brand *Iglo*. The marketing activities for traditional fish sticks refer to the benefits of high quality, freshness and crispness. The new offering incorporates these benefits but also provides more exclusiveness. The product was traded up, as salmon is more exclusive than Alaskan pollock. Ten salmon filet sticks cost 2.99 Euros, while 15 usual fish sticks
also cost 2.99. The product remained the same, except for the exchange of fish species. *Iglo* also adapted the packaging. The folding carton of traditional fish sticks is blue. The packaging of the new offering is salmon-like (rose) in color, in order to ensure the differentiation of the new product from usual fish sticks and to create attention for the new product at the point of sale (see *Figure 6-6*). *Iglo* adapted barely its communications. The TV spot for its main target segment, families with children between five and twelve years, advertised the existing standard offering of fish sticks. A five second tag-on introducing the offering of salmon filet sticks extended the spot.

*Figure 6-6: Iglo salmon filet sticks*

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**Employed resources and success:** *Iglo’s* extension to its traditional fish sticks was successful. Both segments buy the new offering and *Iglo* exceeded its sales goals. *Homescan* data revealed that a substantial proportion of salmon filet sticks customers are singles and couples aged between 20 and 35. *Iglo* employed relatively little resources in acquiring the new target segment. It used existing production capacities and utilized synergies in marketing communications.

**Conclusion:** *Iglo* successfully entered a new target segment by simply exchanging the ingredient of its most famous product, fish sticks. As a result, it converted non-users of fish sticks into users. *Iglo* targeted a segment that was very close to its existing one. It enhanced the product and provided an additional benefit. It broke down the purchase barriers of the targeted consumers. *Iglo* was able to provide existing fish stick consumers with a variant that also matched their needs. It enforced the positive cannibalization effect, as both segments could be reached with the same distribution channels. *Table 6-7* provides an overview of the contingencies and adaptation intensities.
Table 6-7: Profile: Iglo

<table>
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<tbody>
<tr>
<td>The creation of positive attitudinal and behavioral responses</td>
<td>The creation of positive attitudinal and behavioral responses</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Segment-Program Fit</th>
<th>None</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Interaction Effects</th>
</tr>
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<tbody>
<tr>
<td>Potential spillover effects</td>
</tr>
<tr>
<td>Potential cannibalization effects</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adaptation Intensity</th>
<th>None</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positioning</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Vertical Adaptation Intensity</th>
<th>None</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Resource Intensity</th>
<th>Low</th>
<th>Moderate</th>
<th>High</th>
</tr>
</thead>
</table>

6.2.6.2 Conclusions for ‘The Extender’

The Extender is a company that extends its business activities to a segment neighboring its existing reference segment. It extends its product in a way that becomes attractive to the new target segment but also stays attractive for existing customers. The newly targeted consumers must know the brand and have a favorable attitude towards it. The existing brand should serve as a platform for extension efforts. It is necessary that the new target segment does not deviate too heavily in their shopping and media usage behaviors from the existing segment. The Extender must reach the segments with the same distribution and communication channels to benefit from synergies and to enforce spillover effects. It should adapt the product in such a way that it is still compatible with needs of the existing segment in order to motivate positive cannibalization effects.

6.3 Cross-Case Analysis

6.3.1 Comparison of the Cases along the Typology Dimensions

A comparison of the identified new segment strategies and their respective successful implementation approaches highlights the differences in the types. The purposes for the targeting efforts differed among the investigated companies. Lorenz Bahlsen
**Snack-World, Deutsche Bank and Bank Coop** focused on a new target segment and wanted to generate awareness, a favorable image and sales within the new target segment (see Table 6-8). **Dextro Energy** and **Bonduelle** further hoped to also increase the brand’s image among existing customers. On top of that, **Iglo** aimed to generate sales from existing customers.

**Table 6-8: Cross-case analyses – purposes of targeting efforts**

<table>
<thead>
<tr>
<th>Purposes of Targeting Efforts</th>
<th>Lorenz Bahlsen Snack-World</th>
<th>Dextro Energy</th>
<th>Bonduelle</th>
<th>Deutsche Bank</th>
<th>Bank Coop</th>
<th>Iglo</th>
</tr>
</thead>
<tbody>
<tr>
<td>The creation of favorable attitudinal responses within the new target segment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The creation of favorable behavioral responses within the new target segment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The creation of favorable attitudinal responses within the existing target segment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The creation of favorable behavioral responses within the existing target segment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The contingencies the companies were exposed to differentiated (see Table 6-9) and forced the examined companies to either adapt their marketing programs intensely, moderately or marginally (see Table 6-10). **Lorenz-Bahlsen Snack-World** faced a negative attitude towards the existing brand **Crunchips** and opposing benefits, which explain the low fit between the new target segment and the existing marketing program. Consequently, **Lorenz Bahlsen Snack-World** had to adapt its marketing program intensely. Only the existing distribution channels had high fit with the shopping behavior of the new target segment. The new target segment of **Dextro Energy**, in contrast, had a positive attitude towards the brand. However, the high specificity of the niche segment led to a low fit between the segment and the other components of the existing marketing program. The marketing program had to be adapted to a high degree. The use of a sub-brand allowed **Dextro Energy** to benefit from existing awareness levels and to enforce positive spillover effects for its brand image.
Table 6-9: Cross-case analysis – contingencies

<table>
<thead>
<tr>
<th>Contingencies</th>
<th>Lorenz Bahlsen Snack-World</th>
<th>Dextro Energy The Specializer</th>
<th>Bonduelle The Expander</th>
<th>Deutsche Bank The Invisible</th>
<th>Bank Coop The Communicator</th>
<th>Iglo The Extender</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment-Program Fit</td>
<td>Low</td>
<td>Low</td>
<td>Moderately Low</td>
<td>Moderate</td>
<td>Moderately High</td>
<td>Moderately High</td>
</tr>
<tr>
<td>Interaction Effects</td>
<td>irrelevant</td>
<td>positive irrelevant</td>
<td>positive irrelevant</td>
<td>negative irrelevant</td>
<td>irrelevant</td>
<td>positive</td>
</tr>
<tr>
<td>Spillover Effects</td>
<td>irrelevant</td>
<td>irrelevant</td>
<td>irrelevant</td>
<td>irrelevant</td>
<td>irrelevant</td>
<td>positive</td>
</tr>
<tr>
<td>Cannibalization Effects</td>
<td>irrelevant</td>
<td>irrelevant</td>
<td>irrelevant</td>
<td>irrelevant</td>
<td>irrelevant</td>
<td>positive</td>
</tr>
</tbody>
</table>

The new target segment of Bonduelle also had a favorable attitude towards the brand. The existing offering missed an important benefit that provided the target segment (i.e. mothers and children) with a reason to buy the offering. Adaptations of the positioning, the product and the marketing communication enabled Bonduelle to acquire the target segment. Deutsche Bank primarily approached its new target segment by adapting its distribution and communication practices intensely. Marketing communication was adapted in accordance with the cultural specificities of the new target segment, Turkish citizens in Germany. It was able to win the new target segment of Turks while also preventing potential spillover effects that might have negatively affected the attitude of existing German customers. Bank Coop substantially adapted its communication and sales approach to cater to the needs of its female target group. It benefitted from the high fit between the new segment and its existing marketing program. More specifically, it exploited its favorable image and used its existing products to serve the segment. On the other hand, Iglo barely adapted its marketing program. A few changes with respect to the positioning and product concept enabled Iglo to win the new target segment but also motivated existing customers to buy the new offering of salmon fillet sticks. The spillover effects were exploited by use of the strong corporate brand, the existing distribution system and marketing communication that reached both the new and the existing target segments.
The required resources to implement the adaptations correlated with the adaptation intensity. The required resources increased with the intensity of the vertical adaptation of the marketing program. \textit{Lorenz-Bahlsen Snack-World} had to invest monetary resources to establish and promote the new brand \textit{Naturals}. The new brand, paired with the introduction of a benefit that was new to the market, required continuous media presence and promotion activities at the point of sale. The company invested into research and development and its production capacities. \textit{Dextro Energy} also invested into the development of a new product line and invested time and money into the creation of a new distribution system, as well as marketing communication. \textit{Bonduelle} primarily spent resources in the adaptation of its product concept, as well as for communicative purposes. \textit{Deutsche Bank} and \textit{Bank Coop} focused their investments on communication and the training of frontline employees. \textit{Iglo} exploited synergies and combined its targeting efforts with existing marketing activities. \textit{Table 6-11} provides an overview of the comparative resource intensities of the cases.

**Table 6-10: Cross-case analysis – adaptation intensity**

<table>
<thead>
<tr>
<th>Adaptation Intensity</th>
<th>Lorenz-Bahlsen Snack-World</th>
<th>Dextro Energy</th>
<th>Bonduelle</th>
<th>Deutsche Bank</th>
<th>Bank Coop</th>
<th>Iglo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>None</td>
</tr>
<tr>
<td>Positioning</td>
<td>High</td>
<td>Moderate</td>
<td>Moderately Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Price</td>
<td>Moderately High</td>
<td>High</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>Low</td>
</tr>
<tr>
<td>Product</td>
<td>Moderately High</td>
<td>High</td>
<td>Moderate</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Distribution</td>
<td>None</td>
<td>High</td>
<td>None</td>
<td>Moderate</td>
<td>Low</td>
<td>None</td>
</tr>
<tr>
<td>Communication</td>
<td>Moderately High</td>
<td>High</td>
<td>High</td>
<td>Moderate</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>

**Vertical Adaptation Intensity**

|                       | High          | Moderately High | Moderate | Moderately Low | Low | Low |

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Table 6-11: Cross-case analysis – resource intensity

<table>
<thead>
<tr>
<th>Resource Intensity</th>
<th>Resource Intensity</th>
<th>Resource Intensity</th>
<th>Resource Intensity</th>
<th>Resource Intensity</th>
<th>Resource Intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employed Resources</td>
<td>High</td>
<td>High</td>
<td>Moderate</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Lorenz Bahlsen Snack-World</td>
<td>The Differentiator</td>
<td>Dextro Energy</td>
<td>The Expander</td>
<td>Deutsche Bank</td>
</tr>
<tr>
<td></td>
<td>Bonduelle</td>
<td>The Specializer</td>
<td>Bank Coop</td>
<td>The Communicator</td>
<td>Iglo</td>
</tr>
<tr>
<td></td>
<td>The Differentiator</td>
<td></td>
<td></td>
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<td></td>
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</tbody>
</table>

### 6.3.2 Summary of Conclusions

The case study research revealed six different strategies that a company can pursue when it targets a new market segment. It also provided evidence for the specific adaptation patterns that a company should implement when it follows one of the suggested strategies. It must be emphasized that a company can follow different strategies for different target segments. For instance, a company who is The Differentiator when it targets a new segment can be The Extender when it targets another one. Subsequently, I summarize the different strategies and the respective successful marketing program implementation approaches below.

1. **The Differentiator** is a company that targets a new market segment that is substantially different from an existing target segment. The segments deviate heavily in their attitudes and the benefits they seek. The Differentiator avoids references to an existing brand and offerings due to the high segment distance. It is assumable that The Differentiator also faces potential negative spillover effects, which may lead to unfavorable responses among existing customers. The Differentiator needs to invest many resources in adapting its marketing program for the new target segment.

2. **The Specializer** is a company that strives to win a very specific segment. Its targeting efforts enable The Specializer to build up expertise and to positively develop the perceived competence of the parent brand. The adaptation of the marketing program is moderately high, as niche consumers have very specific needs, behaviors and requirements towards an offering. All components of the marketing program are adapted intensely except for the brand. In contrast to The Differentiator, The Specializer can benefit from a general positive attitude towards
the brand and benefit from the awareness levels of the parent brand. In this way, it can exploit brand goodwill.

3. The Expander pursues the goal of increasing market coverage and targeting a segment that is moderately different from existing segments. While consumers of the new target segment generally have a rather positive attitude towards the brand, they do not consider its existing offerings as they do not provide a relevant advantage. The benefits delivered by the existing offerings do not overcome purchase barriers and give the segment no reason to buy the existing offering. By providing an additional, independent, relevant and unique benefit, The Expander is able win consumers of the newly targeted market segment. In order to convey and deliver the newly introduced benefit, communication practices and the product concept need to be adapted.

4. The Invisible is a company that targets a market segment that is quite attracted to its offerings. However, actively targeting the segment can lead to negative spillover effects and negatively affect the attitudes of existing customers. The adaptation of distribution and communication channels enables The Invisible to ‘isolate’ the target segment. The Invisible communicates and distributes its offering over different channels to the different segments. The Invisible is able to win new customers without existing customers noticing.

5. The Communicator is a company that simply sharpens its positioning for a new target segment and extensively communicates its expertise. The Communicator understands the concerns and needs of newly targeted consumers and is able to address them specifically. The Communicator is able to advise the new segment specifically and credibly. It possesses suitable offerings for the new target segment and is able to provide an appropriate solution.

6. The Extender is a company that extends its targeting efforts to a close, neighboring segment. The Extender aims to win new customers but also intends to generate sales of the new offering from existing customers. Hence, the offering is targeted to the new segment and the existing segment. The marketing program needs to be adapted in such a way that purchase barriers are reduced for the new segment while the relevance and attractiveness of the offering is maintained for existing customers. The adaptation intensity of the marketing program is low as the existing benefits are extended by complementary benefits. Communication and distribution practices are barely changed to ensure positive spillover and cannibalization effects.
7 Internal Implementation Barriers and Drivers

In the previous chapter, I revealed six different patterns of marketing program adaptations that can be successful. The choice of adaptation option for the marketing program components and their combination may thus explain why some companies are successful and some companies are not when they adapt a marketing program for a new target segment. However, a company’s choice of appropriate adaptation options is not a guarantee that the company will be successful: it must successfully implement the adaptations. The implementation of a segment-specific marketing program is often impeded by various internal barriers.\textsuperscript{475} Dibb (2005) reveals that the implementation of segmentation findings into marketing activities is impeded by a lack of personnel and insufficient expertise, as well as cultural, structural and managerial inflexibilities and constraints.\textsuperscript{476} Sausen (2006) proves that a company’s operational and structural capabilities are enablers of segmentation success and, thus, of the implementation of the segment-specific marketing program.\textsuperscript{477} Piercy and Morgan (1993) refer to the organization’s structure, information and reporting systems, internal decision-making processes and corporate culture as sources of implementation failure.\textsuperscript{478} Recent research in market segmentation has provided insights into the barriers and drivers of segmentation and the implementation of segment-specific marketing programs in particular. The findings are very abstract and a more substantial and concrete investigation is required. In this section, I present the internal barriers and drivers that influence the implementation of a marketing program for a new target segment (see Figure 7-1). The expert interviews I held in research phase II revealed rich insights into the internal barriers and drivers.\textsuperscript{479} The barriers and drivers identified can be broadly categorized into:

- the barriers and drivers that originate from the employees who participate in the implementation of the marketing program
- the barriers and drivers that originate from the company’s culture
- the barriers and drivers that originate from the company’s organization
- the barriers and drivers that originate from the company’s management and leadership

\textsuperscript{476} Dibb (2005), pp. 20-22
\textsuperscript{477} Sausen (2006), pp. 179-185
\textsuperscript{478} Piercy and Morgan (1993), pp. 132-134
\textsuperscript{479} For the list of expert interviews that were held in research phase II, please refer to Appendix A.
**Figure 7-1: Conceptual framework**

![Conceptual framework diagram]

**Figure 7-2** depicts an overview of the internal implementation barriers and drivers that I derived from these findings.

**Figure 7-2: Internal implementation barriers and drivers**

<table>
<thead>
<tr>
<th>Employees</th>
<th>Drivers</th>
<th>Barriers</th>
</tr>
</thead>
</table>
| Management & Leadership | Top management engagement  
Internal sponsor and leader | Subjectivity  
Superficiality and stereotyping |
| Culture | Customer and segment-oriented culture  
Innovative, creative and experimenting culture  
Shared identity and open culture | Embedded routines and differing values  
Politics and conflicts |
| Organization | Hierarchical anchoring and formal coordination  
Cross functional team structure and cooperation  
Flexibility and adaptability | Missing power  
Isolation and inflexibility |
7.1 Employees’ Characteristics and Skills

The employees who are engaged in the development and implementation of a marketing program for a new market segment have big stakes in the success of the implementation efforts. The following section introduces the employee characteristics and skills that either impede or drive the successful implementation of marketing programs for newly targeted consumers.

7.1.1 Barriers

7.1.1.1 Subjectivity

The employees who develop and implement a marketing program for a new market segment are often entrenched by their areas of expertise and personal experiences. People predict and infer other people’s interests, attitudes and behavior on the basis of their own opinions and behaviors. This subjectivity phenomenon is termed in scientific literature ‘assumed similarity’, ‘attributive projection’, ‘lack of empathy’, ‘egocentric attribution’ and ‘false consensus effect’.\(^{480}\) It can lead to severe problems. Employees infer the needs, preferences and behaviors of the newly targeted segment members on the basis of their own. They develop a marketing program that suits them rather than the needs of the segment. Hoch (1988) provides evidence that marketing directors are actually worse than everyday consumers in predicting a specific market segment’s opinions.\(^{481}\)

The interviewed experts also perceive a threat in the employees’ subjectivity, as radically expressed by one expert: “[t]hey [marketing managers] are totally flabbergasted when they realize that someone else ticks differently. […] They simply cannot imagine that someone else ticks totally differently than they do.”\(^{482}\) Using cues, such as their own behavior or the behaviors of existing segments, are misleading, as another expert describes: “[t]he problem is obvious. When targeting Turks, the starting point is often the German consumer and then you adapt here a little bit and there a little bit. And that does simply not work as Turks behave totally different and in the end you neither have one thing nor the other.”\(^{483}\)

“Oftentimes illusionary and wishful thoughts” that lack any rationale “[…] are projected onto the new market segment.”\(^{484}\) “Self-construal often leads to

\(^{480}\) Hoch (1988), p. 316  
\(^{481}\) Hoch (1988), p. 320  
\(^{482}\) Expert interview [28], Bluestone (Jaffê)  
\(^{483}\) Expert interview [39], A.T.U (Dereli)  
\(^{484}\) Expert interview [31], LEAD Innovation (Putz)
misinterpretation” and employees “[…] need to be careful not to be guided too strongly by their own preferences.”

“Marketing employees are well-situated, have a certain lifestyle and have a circle of friends that is also well-off. They sometimes forget that their life is different to the life of the general public. […] Product managers need to leave their dream world to recognize that real life might be different.”

The execution of the marketing program is heavily influenced by the preferences of the person in charge. Marketing employees often live in an illusory world and lose sight of the real world. Specific executions, such as the packaging design or advertising campaign, are often only accepted if they match the employee’s taste. One expert exemplifies this fact:

“I have seen many product managers [who look for an appropriate endorser]. They search for their ideal type of woman perceived subjectively as extremely attractive and do not evaluate whether this testimonial actually is appealing to the target segment.”

Mislead by false consensus effects, marketing programs for new market segments lack effectiveness and may fail. An expert underlined this fact and quoted a marketing director: “[w]e had a brilliant strategy. Unfortunately, the market did not understand us.”

7.1.1.2 Superficiality & Stereotyping

Next to the subjectivity phenomenon, the projection of superficial and generalized beliefs onto the target segment also hampers the implementation of a marketing program for a new market segment. “Marketers often underestimate [the efforts] it [takes to understand a market segment]. They believe they are capable of knowing what the new market segment wants without actually dealing with their needs.”

Stereotyping is especially prominent in gender marketing. Companies that target a female market segment often face severe challenges, as decisions are based on “norms
and generalized categorizations.’”492 Women are reduced to the image of being a ‘caring mother’, ‘sex object’ or ‘shopaholic’.493 “It requires a more differentiated examination. […] Relevant needs must be assessed and addressed.”494 Simply ‘painting a product pink’ does not work. Male employees often think that they know what women want.495 Marketing employees sometimes act superficially and lack empathy.496 Women have a very concrete mental picture of how they want to use a product and what they want to achieve with it:

“They often use products very differently than males. Employees in R&D and marketing, however, do not see that women have very different usage patterns and needs, […] have a different logic in using things, […] set more emphasis on senses than males (especially the haptic sense), […] use different words and sentence structure and have different preferences when it comes to language, pictures and colors.”497

Similarly, employees often lapse into cliché when targeting gay consumers. “Many marketers who seek to target gay consumers usually utilize nude and trained bodies, waving rainbow flags, the color pink and red ribbons.”498

7.1.2 Drivers

7.1.2.1 Ability to Absorb, Interpret and Transfer Knowledge

A market-driven company needs to collect and act on relevant customer information.499 Hence, employees who contribute to the implementation of a marketing program for a new market segment need to be able to acquire relevant information about the new market segment, interpret the information and apply the knowledge gained in marketing instruments. It is important to have “[…] analytic skills and methodological knowledge, in order to understand research insights about the segment. And if you do not have the knowledge, you need to be able to learn it.”500 Narrating customer insights and transferring this knowledge into marketing instruments requires “[…] understanding causal relations and people who challenge market data […].” Marketers need to receive a full picture of “[…] why things happen

492 Expert interview [33], FrischCo. (Kreienkamp)
493 Expert interview [33], FrischCo. (Kreienkamp)
494 Expert interview [28], Bluestone (Jaffé)
495 Expert interview [33], FrischCo. (Kreienkamp)
496 Expert interview [28], Bluestone (Jaffé)
497 Expert interview [33], FrischCo. (Kreienkamp)
498 Expert interview [28], Bluestone (Jaffé)
500 Expert interview [45], Iglo (Erler)
Marketing employees “[…] need to understand consumer behavior and comprehend why consumers within this segment behave as they do, why they buy certain products and why they do not buy others.” In developing a marketing program particularly for a new market segment, employees “[…] need to have a holistic overview of influencing factors” and “[…] develop alternative solutions and scenarios” to predict the outcomes and suitable measures of the marketing program.

The implementation of a marketing program requires the interpretation and transfer of knowledge during the whole process. Developers have to “understand which materials the new market segment prefers.” “Marketing communication needs to understand which relevant benefit to emphasize” as well as “use appropriate language, pictures and words.” The sales staff needs to be able “[…] to identify a segment member by hints such as clothes and language and derive suitable ways of communicating and selling.”

7.1.2.2 Empathy, Segment Similarity and Intuition

Employees who work on a marketing program for a new market segment not only need to be able to rationally understand the segment, but also need to have a feel and sense of the market segment in question. Empathy is defined as understanding and identifying with another person’s thoughts, feelings and perspectives. Empathy was rated by the experts as an extremely important trait in understanding the segment and deriving appropriate marketing measures. “It requires people who are able to put themselves in the perspective of the segment” and people who “empathize with the segment.” Whereas it is usually known how an existing segment operates, a new market segment’s thoughts, feelings and perspectives are rather uncertain and unknown. Research shows that empathic frontline employees are better in identifying relevant customer needs and preferences. Experts share this opinion but they also claim that empathy is equally important for employees working in R&D or in the

501 Expert interview [40], Bank Coop (Peter)
502 Expert interview [28], Bluestone (Jaffé)
503 Expert interview [45], Iglo (Erler)
504 Expert interview [45], Iglo (Erler)
505 Expert interview [28], Bluestone (Jaffé)
506 Expert interview [30], Mayer de Groot Marketing Research and Consult (Mayer de Groot)
507 Expert interview [28], Bluestone (Jaffé)
508 Expert interview [24], anonymity guaranteed
510 Expert interview [47], Sennheiser (Sennheiser)
511 Expert interview [38], Gutfried (Stenske)
512 Homburg et al. (2009), p. 71
marketing department, as the following expert statement demonstrates: “[…] within the whole company you need to have empathetic people who really know how human beings tick and behave, in order to identify needs and to convey the marketing program for a segment effectively and authentically.”

Analytic thinking may help the employee to build up knowledge, but “[e]mpathy helps them to really understand.”

The question as to whether employees who resemble the newly targeted segment (in terms of socio-demographic criteria, behavior, lifestyle or needs) perform better than other employees was controversially discussed by the experts. Some experts see advantages in ‘talking the same language’, as well as experiencing concerns and needs firsthand. A.T.U, the car repairs and supplies shop that started to target the ethnic minority of Turks in Germany, experiences several advantages when sales employees are Turks: “[e]mployees spread the word among family and friends”. It also reduces barriers for the market segment, as “[…] many of them [the market segment of Turks] cannot speak German perfectly. And when it comes to details, it is much easier to speak in the native language. […] In addition, Turkish employees simply know what Turks appreciate and value, what their particular interests and needs are.”

The marketing director of Dextro Energy confirms that segment similarity can be beneficial: “[…] we also have performers here with an affinity for sports. […] That can be advantageous as you draw conclusions from experience”. However, she also recognizes limitations such as the subjectivity phenomenon (see Section 7.1.1.1). Other experts agree with the latter notion and emphasize that “[s]egment similarity of marketing decision makers and the target segment as such is not required, but it is important that marketing employees develop a real understanding of the needs and feeling of their customers.” In the end “[i]t is more important to be empathic” than to resemble the target segment.

A related concept to empathy is intuition. Although often termed ‘gut feeling’, intuition is a cognitive process. It is defined as the act of unconsciously recognizing the pattern of a problem and automatically generating a solution that corresponds to this problem’s pattern without basing this solution on obvious evidence. “In any

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513 Expert interview [28], Bluestone (Jaffé)
514 Expert interview [28], Bluestone (Jaffé)
515 The A.T.U example is based on expert interview [39], A.T.U (Dereli)
516 The Dextro Energy example is based on Expert interview [41], Dextro Energy (Ehrenbeck)
517 Expert interview [30], Mayer de Groot Marketing Research and Consult (Mayer de Groot)
518 Expert interview [38], Gutfried (Stenske)
519 Wierenga (2002), p. 358
decision you take you should have a good gut feeling”, \(^{520}\) as intuition is based on past experiences. Hence, intuition cannot be consciously learned but is a good indicator as to whether something works for the new segment or not. Intuition particularly helps when members of a segment are not able to articulate their needs and it is also often the first step in idea generation. “A good gut feeling and intuition is half the rent”, \(^{521}\) yet experts also state that intuition needs to be objectified in order to avoid the false consensus effect. However, in the end you need to make a decision and each decision is associated with more or less uncertainty. Successful marketing managers can assess complex situations fast and decide accordingly.\(^{522}\)

7.1.2.3 Openness and Creativity

Employees who participate in the implementation of a marketing program for a new market segment are influenced by the experiences they have had with existing segments, prevalent assumptions towards the new segment and their own preferences. Whereas these experiences and cues can be helpful in designing a marketing program, they might also lead to wrong attributions (see Section 7.1.1.1). Being open-minded and able to discard personal thought structures, as well as general assumptions, are rated as important traits. The decision to approach a new market segment “[...] requires an open spirit”, especially when new concepts, theories and viewpoints are introduced.\(^{523}\) When Dextro Energy segmented the market according to findings from neuroscience, openness towards and willingness to deal with this abstract and new concept was required from its employees.\(^{524}\)

An employee “[...] needs to show openness, neutrality and objectivity in order to get to know its new target group.”\(^{525}\) Preconceived opinions and personal preferences need to be put aside, as one expert elaborates: “[t]hey need to be curious, not think in ‘home-made’ and general assumptions and abandon wishful thinking. Instead they simply must have this particular openness.”\(^{526}\) Marketing employees are exposed to the thrilling marketing world and innovative marketing ideas; “[...] people who work in marketing should leave the utopian marketing world, should leave their private world

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520 Expert interview [29], Zukunftsinstitut (Köhler)
521 Expert interview [45], Iglo (Erler)
522 Belz et al. (2000), p. 91
523 Expert interview [41], Dextro Energy (Ehrenbeck)
524 Expert interview [41], Dextro Energy (Ehrenbeck)
525 Expert interview [31], LEAD Innovation (Putz)
526 Expert interview [49], Frosta (Ehlers)
and forget their own experiences.” Instead, they should get stimulated “[…] from
the new market segment and […]not lose sight of ‘the usual’.”

Openness and objectivity help one to see a problem from different angles, to broaden
one’s horizon and to generate ideas that are otherwise suppressed by a ‘that’s how
things are done here’ mentality. The openness of Bosch towards new, innovative and
unconventional ideas enabled the development and pursuit of an idea which
revolutionized the power tools market: the use of lithium-ion batteries for power tools.
The use of a technology which was utilized in mobile communication devices and
laptops enabled Bosch Power Tools to develop light and compact tools that are still
powerful. The introduction of lithium-ion technology paired with the consistent
orientation of user friendliness empowered Bosch to successfully introduce the
screwdriver IXO, the rotary hammer, drill and screwdriver Uneo, the multi-sander
Prio, the universal cutter Xeo, just to name some examples, and a wide range of power
tools for the DIY, professional and garden segments.

Openness and objectivity are traits that are also important in interactions between
colleagues within and across departments. Experts state that openness towards the
ideas of colleagues improves cooperation and team performance: “[i]t is important that
everybody can express ideas and feedback even if it is not his/her specialist area […]
and that this feedback is perceived to be valuable.” “It simply requires openness”
from employees at all levels within the company, especially towards employees from
different functions in order to enrich cooperation. “It is always easier to say ‘no’
than ‘yes’”, but showing openness and critically reflecting upon ideas are not only
forms of respect but also sources of valuable insights.

A trait associated with openness is creativity. Creativity is defined as the deviation
from existing practices and the suggestion of novel and useful ideas and procedures.
Designing a marketing program according to a new market segment’s needs often
requires creativity in order to differentiate the offering effectively and distinctively. A
few experts claim that creativity enables employees to identify different and new
solutions that deviate from existing practices. It is important to note that creativity in
this sense has nothing to do with abstract ideas that are unrealizable and unmarketable;

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527 Expert interview [49], Frosta (Ehlers)
528 Expert interview [49], Frosta (Ehlers)
529 The Bosch example is based on expert interview [32], Bosch Power Tools (Schneider)
530 Expert interview [47], Sennheiser (Sennheiser)
531 Expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)
532 Expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)
533 Oldham and Cummings (1996), p. 607
it rather involves ‘out-of-the-box-thinking’ and disentangling problems from different, sometimes unusual, perspectives.\textsuperscript{534} “It is important to have good imagination”\textsuperscript{535}, “[…] to prognosticate trends”\textsuperscript{536} and to be able to “[…] develop different alternative solutions and scenarios.”\textsuperscript{537}

7.1.2.4 Persistence and Persuasiveness

The implementation of a marketing program for a new market segment is a long process in which employees continuously face resistance and different opinions. Whereas it is favorable to acknowledge feedback, it sometimes requires persistence to push initiatives and enforce their implementation. “If you initiate something, it might take a long time until it is implemented. However, persistence will pay off in the end.”\textsuperscript{538} During the process of developing and implementing a marketing program, many ideas disappear as quickly as they have come to mind. Promising ideas have to be defended and persistently brought forward and concretized. At certain points, decisions must be made and executed. If an employee is convinced by an idea, persuasiveness and assertiveness are required, as one expert explicates: “[y]ou need to say that you believe in it and we will do it this way. And if it does not work you need to admit your mistakes and learn from them.”\textsuperscript{539} Believing in an idea demands conviction: “[m]arketing means persuasion [externally to the customer and internally]. Our only weapon is our voice. We are at the interface [to many corporate functions] and eventually we can only convince someone to come along and join in through persuasion.”\textsuperscript{540} Persistence and persuasion are also required when a company deals with external parties. For instance, \textit{Grohe} faced severe difficulties in gaining a foothold in the kitchen market. Approaching potential channel partners for the newly introduced kitchen fittings demanded persistence and persuasiveness, as the trade marketing manager of \textit{Grohe} emphasizes: “[i]n the beginning, it was very difficult; they [the potential retailers] did not know us and were not desperately waiting for us to come along […] It required persistency, frequent contact attempts and […] a lot of persuasion.”\textsuperscript{541}

\textsuperscript{534} Oldham and Cummings (1996), p. 608
\textsuperscript{535} Expert interview [38], Gutfried (Stenske)
\textsuperscript{536} Expert interview [47], Sennheiser (Sennheiser)
\textsuperscript{537} Expert interview [45], Iglo (Erler)
\textsuperscript{538} Expert interview [40], Bank Coop (Peter)
\textsuperscript{539} Expert interview [29], Zukunftsinstitut (Köhler)
\textsuperscript{540} Expert interview [38], Gutfried (Stenske)
\textsuperscript{541} The Grohe example is based on expert interview [25], Grohe (Fischer)
7.1.2.5 Expertise and Market Know-how

The participants contributing to a marketing program for a new market segment need to be specialists in their areas of expertise. Experts acknowledge that employees in R&D, sales and marketing need to have firm, special, technical and procedural knowledge in their areas of expertise. Marketing employees, for example, should be involved and:

“[…] have expertise in market research, know how to derive data, be able to interpret the derived information and know the limitations of market research. […] You need to be able to formulate and implement a strategy; be capable to develop scenarios. You also have to be able to analyze and deal with channel players, competitors and other important stakeholders; and be able to line up innovation projects. […] You must know how marketing communications work, be firm in packaging issues and able to manage external partners and, very importantly, be able to execute.”542

Entering a new market segment is sometimes associated with entering a new product category. In this case, mechanisms often work differently and specific category and product knowledge must exist or be acquired fast. Iglo, for example, entered the seafood product category. Having primarily sourced fish and spinach before, expertise in the fields of sourcing, handling and processing prawns had to be acquired fast.543 It is important to have specific market and category knowledge. Particularly in sales, market and category expertise is required, as the marketing director of Bonduelle explicates:

“Although we serve both categories [fresh cut salads and tinned food] to one key account [retailer], contact persons are totally different. Sourcers of tinned food are people who deal with brands in a stable category. The brand Bonduelle is very known and recognized among the sourcers. Our fresh cut salads are usually sold in the vegetable and fruits section. Hence, the sourcer in the vegetable and fruits section usually buys non-branded items such as a sack of potatoes or grapes. Salad bags are new to them and a comparatively small part of their business. […] Brands are not important to those people, category and product know-how is much more important. You need to convince them of the added value

542 Expert interview [45], Iglo (Erler)
543 The Iglo example is based on expert interview [45], Iglo (Erler)
Knowing the specific market and its category mechanisms is vital when entering a new market segment. When Grohe, the producer of bathroom and kitchen fittings, entered the premium market segment, knowledge was acquired in recruiting new sales representative: “[…] our existing sales representatives were simply too far away to serve the premium segment. You need to have experience in selling a premium brand.” Similarly, Dextro Energy also acquired the capabilities of selling sports nutrition products by partly outsourcing the sales function to an established wholesaler and developing a key account management team with recruited market specialists. “So to say, we have bought the contacts and knowledge about market mechanisms and channel partners.”

7.2 Culture

Deshpandé and Webster (1989) define corporate culture as the pattern of shared values and beliefs that help individuals to understand an organization’s functioning and thus provide them with norms for their behavior in the organization. Marketing implementation is, therefore, influenced by corporate culture and is one factor that determines the implementation success of marketing programs. As one expert states: “[m]arketers will often find themselves sailing against the wind”; corporate culture can often be a barrier and lead to inertia during implementation efforts. The reasons for resistance can include embedded routines, differing values, politics and conflicts. However, corporate culture can also be a driver when targeting a new market segment. A culture characterized by customer and segment orientation, innovativeness, creativity, shared identity and openness enhances a successful implementation.

7.2.1 Barriers

7.2.1.1 Embedded Routines and Differing Values

Targeting a new market segment requires changes in employees’ behaviors, and routines, as well as value systems. It often leads to skepticism and resistance, making...
it difficult to implement initiatives. Resistance often emerges from distorted perceptions. The nature of the human being is to secure existing possessions and knowledge rather than to try something new and uncertain. Ideas that deviate too much from orthodoxy are habitually rejected. Other distorted perceptions include myopia (i.e. disbelief in the statements of others), denial (i.e. the rejection of information that is contrary to what is desired or what is believed to be true) and hubris (i.e. overwhelming pride in past accomplishments).

Routines and existing knowledge structures hamper new ways of thinking and commitment towards initiatives for new market segments. A marketing director explains: “[i]n a company with low fluctuation, you always have people who say that we have tried that 17 years ago and it has not worked.” Past experiences are used as reference points to either support or oppose a decision. Marketing tactics are predetermined and lack effectiveness that is partly due to the routinized behavior and an inherent indifference and complacency. Statements such as “[w]e have been very successful in the past, why should we take the risk and invest the resources without the guarantee of success” are usual. The responsible managers at Beate Uhse faced resistance during the implementation of a marketing program tailored to the market segment of women. The employees who had experienced the very successful decades of the 80s and 90s could not believe that business could be made with porn movies customized for women. The responsible managers faced the challenge of getting the movies listed in the Beate Uhse shops as they were so different from the existing porn movies in terms of plot. In addition, resistant employees expressed their concerns about the way these movies should be marketed. They believed that a classier packaging, more subtle product names and more implicit advertising simply would not work. Overcoming the resistance was challenging but it was worth the efforts: the segment of women comprises now a large part of Beate Uhse’s business — in the mail order business more than half of the customers are female.

Deep routed values are another source of resistance. According to Rumelt (1995), in the presence of differing values, individuals and departments have strong emotional

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549 Folger and Skarlicki (1999), p. 35
550 Expert interview [28], Bluestone (Jaffé)
552 Expert interview [49], Frosta (Ehlers)
553 Belz (1984a), pp. 274-277
554 Expert interview [38], Gutfried (Stenske)
555 The Beate Uhse example is based on expert interview [35], Beate Uhse (Tschernekoff)
attachments to existing practices, policies or ways of doing things. The decision to target gays might be undermined by a manager “[…] who simply says that he does not either want to target gays specifically or communicate with them distinctively.” In male-dominated industries resistance to specifically target a female market segment exists. One expert explicitly shares:

“We traditionally have a lot of males in top management but also directly at the customer interface. To convince them that there actually is another segment that has different needs and that should be approached differently was a tough nut to crack.”

Similarly, companies that have a strong technical and engineering background are often simply not willing to take a customer-oriented view, as it contradicts with their established value systems and “[…] how things are done here.” A manager from a European car manufacturer makes it clear that a market-oriented approach in the development of a segment offering would simply not work, as it opposes existing value systems:

“We are an engineering-driven company […]. Our innovations and accomplishments over the last decades can be contributed to our engineers and not to customers who have expressed their needs. And that won’t change soon because our smart people are sitting in the development centers and discovering what is technically possible. It is only afterwards [after the product concept has been developed] when marketing needs to find out in which segment the product could fit.”

In companies where a product-oriented view prevails, the approach to define a new market segment and direct efforts to satisfy the needs of the segment seems impossible.

7.2.1.2 Politics and Conflicts

Making the decision to enter a new market segment introduces new ways of thinking, acting and operating and consequently bears the threat of resistance towards change. In case the new segment project is perceived as burden and additional work, the

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558 Expert interview [37], anonymity guaranteed
559 Expert interview [33], FrischCo. (Kreienkamp)
560 Expert interview [40], Bank Coop (Peter)
561 Expert interview [16], anonymity guaranteed
562 Expert interview [16], anonymity guaranteed
implementation is doomed to fail.\footnote{Belz et al. (2000), p. 86} The implementation of a marketing program for a new market segment requires financial, human and time resources. As resources are limited, budgets must be reallocated among business units. Some units might suffer a decrease in resources.\footnote{Piercy and Morgan (1993), pp. 133-134} In order to secure the status quo and individual agendas, politics arise. One expert explains this: “[y]ou have different interests within the company; they [the managers of the business units organized according to product groups] are of course interested in the well-being of the company but only as long as their budget is not negatively affected or someone else on the same hierarchical level seems to be privileged.” He further describes the consequences: “[c]ompromises are made that are neither fish nor fowl.”\footnote{Expert interview [16], anonymity guaranteed}

The smooth and effective implementation of a marketing program for a new market segment might also be hindered by functional conflicts.\footnote{Massey and Dawes (2007), p. 1121} Massey and Dawes (2007) provide evidence of functional conflicts between marketing and sales. These conflicts result in the distortion and withholding of information, information gatekeeping, lower cross-functional cooperation and coordination and lower quality marketing strategy planning and implementation. One expert explicitly shares this opinion, stating: “[t]he sales department sometimes does not provide information at all or even provides wrong information. The sales department usually has no interest in entering new markets but rather wants to serve its existing customers and segments with existing or new products.”\footnote{Expert interview [31], LEAD Innovation (Putz)} Differing interests within a company can result in politics and conflicts and in that way hinder the effective implementation of marketing programs for new target segments.

\section*{7.2.2 Drivers}

\subsection*{7.2.2.1 Customer and Segment-Oriented Culture}

The successful development and implementation of a marketing program for a new market segment requires an organizational environment that focuses on the customer in general and the segment in particular. A customer-oriented culture “[…] most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers […].”\footnote{Narver and Slater (1990), p. 21} A general belief that puts the customer’s interest in the organization’s focus is a precondition for the acquisition of a new market segment. A
company “[…] needs to think in terms of its customers and be guided by customers. A focus on customers is a prerequisite to develop marketing programs for the customer base in general and for a new market segment in particular.”\(^{570}\) Similarly to Drucker’s notion that marketing “[…] cannot be considered a separate function […], but rather as whole business seen from the point of view of its final result, that is, from the customer's point of view”, the interviewed experts stress that customer orientation cannot only be the focus of the marketing department; it must be inherent within the whole company.\(^{571}\) Bosch Power Tools has been successful with targeting the soft DIYers as the needs of the customers were exactly met. Each and every employee that is involved in the process of engineering and innovation, from idea generation until commercialization, must deeply understand the needs of the customers in order to develop tools that will be successful in the market.\(^{572}\) It is particularly important that a segment and benefit-oriented view is inherent within the company. The marketing director of the cookware producer Fissler supports this view: “[w]e are not developing a certain air valve for a cooking pot because we like its technical sophistication but because it eases the cooking for our new market segment.”\(^{573}\)

Adhering to Deshpandé et al. (1993), two experts also stress that customer orientation is more than focusing on customers’ needs.\(^{574}\) It incorporates a collective and deeply rooted set of beliefs and the mindset to value customers. Customers are not only sources of revenue but human beings. Serving a customer does not only require the identification of the customer’s needs, but the perception of the customer as a human being. Instead of reducing a customer to a bundle of purchase-relevant needs, the human being that is the customer must be understood.\(^{575}\)

A few experts even refer to segment-oriented culture as a driver of the implementation of segment-specific marketing programs. In a segment-oriented culture, the segment in question is deeply entrenched in the corporate values and employees are involved or even identify with the segment. The decision to target a specific segment may even be rooted in the company’s culture. A company’s culture in promoting diversity in general or a specific minority can eventually lead to the decision to actively target this group in the market as well.\(^{576}\) The decision to specifically target women with the ‘eva

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570 Expert interview [44], FrieslandCampina (Döffinger)
571 Drucker (1954), p. 39
572 The Bosch example is based on expert interview [32], Bosch Power Tools (Schneider); expert interview [28], Bluestone (Jaffé)
573 Expert interview [46], Fissler (Loges)
574 Deshpandé et al. (1993), p. 27
575 Expert interview [28], Bluestone (Jaffé), expert interview [26], F3-Marketing (Pritzkow)
576 Expert interview [37], anonymity guaranteed
program’ at Bank Coop in Switzerland was accompanied by the introduction of a HR diversity program for women and men ten years ago. Valuing the richness of differences and the different needs of women and men during their different lifecycles has benefited Bank Coop internally in terms of employee satisfaction. It has also contributed to the company’s success in terms of segment performance. The ‘eva program’ has become a living philosophy at Bank Coop and is reflected in its corporate values. The fact that “[w]e [Bank Coop] propagate what we are internally living” helps Bank Coop to authentically implement its marketing program for women.577

7.2.2.2 Innovative, Creative and Experimenting Culture

The experts not only emphasize the importance of responsiveness to existing needs, but the anticipation and identification of latent and unknown future needs is defined in the marketing literature as ‘proactive customer orientation’.578 Consumers have difficulty in expressing what they need and want until they see a concept and convey their interest.579 As “[m]ost of the times customers cannot articulate what they want or even do not know what they want”580, a proactive customer-oriented culture promotes out-of-the-box thinking and encourages innovativeness. The culture must encourage pioneering.581 A companywide mindset to constantly innovate supports the creation of a unique offering for a new market segment. It requires culture that promotes openness, spontaneity, humor, authenticity to follow visions and create something new.582

The company must have a very specific corporate environment that enforces innovativeness and creativeness. This environment needs to be characterized by a strong drive and the constant attempt to improve, as the following statement of the marketing director of an international FMCG company underlines: “[s]ome companies are satisfied with what they have achieved. We are continuously striving to discover new ideas for our customers and to reinvent ourselves. And that pervades the whole company. As all existing and articulated needs are satisfied within our market, a pro-

577 The Bank Coop example is based on expert interview [40], Bank Coop (Peter)
578 Blocker et al. (2010), p. 219
579 Expert interview [49], Frosta (Ehlers)
580 Expert interview [29], Zukunftsinstitut (Köhler)
581 Belz (1989), p. 304
582 Belz (1989), p. 304
active and creative culture increases the generation of ideas and the anticipation of latent and unknown needs.”

Identifying latent needs and providing innovative solutions to new market segments requires the building of knowledge. An experimenting culture creates new knowledge using the trial-and-error principle. In cases where the experimenting efforts are successful, the knowledge is manifested. If the efforts fail, knowledge is revised. The organization’s culture should encourage experimentation, as one expert acknowledges explicitly:

“It is important to pursue unconventional ways. We have run analyses and the results indicated that our idea would not work at all. But still we have tried it. And it was a big success. […] Other ideas have not worked but your learning curve can be tremendous. You learn from your mistakes for the future.”

Allowing and admitting mistakes is very important as small adjustments can often lead to success, as one expert elaborates:

“In an environment where experimenting is suppressed, innovative ideas either do not arise at all or are ‘killed’ in an early stage. However, innovative ideas often possess a lot of potential and ideas, which have not worked right from the beginning, that may be well thought out but implemented wrongly. These ideas might only need minor adjustments to work perfectly.”

7.2.2.3 Shared Identity and Open Culture

The successful acquisition of a new market segment necessitates the joining of forces across functions within a company. A shared identity within a company results in higher efforts to contribute to the common goal by individuals, increases intra-group cohesion and cooperation and leads to homogeneity in attitudes and behaviors. Unilever divested its frozen food businesses Iglo and Birds Eye in 2006 due to Unilever’s perceptions of their limited growth opportunities and profitability. As a result, the culture at Iglo changed tremendously. Being only a small piece of Unilever’s huge corporation, Iglo’s employees did not feel valued and challenged.

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583 Expert interview [42], anonymity guaranteed
584 Goh (1998), p. 18
585 Expert interview [40], Bank Coop (Peter)
586 Expert interview [29], Zukunftsinstitut (Köhler)
When the business was sold to the investment company *Permira*, a shared identity evolved, as the group product manager for fish and seafood explains: “[b]eing determined to prove that we can be profitable and being part of an investment company that expects high growth rates has established a common spirit and shared identity.”\(^{588}\) This shared identity and vision has enabled *Iglo* to enter new categories, win new market segments and to constantly grow.

A common language among an organization’s members creates, but can also be the result of, a shared identity.\(^{589}\) *Fissler*, the cookware producer, personified its new target segment and developed a persona called *Claudia* who represents the new target segment. *Fissler* created a whole life around her. In this way, the employees could not only better comprehend the market segment, but the whole company talks about *Claudia*, her life and her specific cooking needs. Employees from different departments understand each other better when they talk in terms of *Claudia*.\(^{590}\)

An organizational culture where information freely flows and is shared is a precondition to successfully respond to customers’ needs in general. Information must be collected and disseminated within the whole company in order to successfully respond to a target market’s needs.\(^{591}\) Decisions can be executed more effectively when information flows freely across departments and functions.\(^{592}\) Open communication and information sharing within a company have also been recognized as important drivers in the successful implementation of marketing programs by many experts. Communication can be formally induced (see *Section 7.3.2.2*); however, employees from different functions should also be intrinsically willing to share information through informal channels. It “[…] requires involvement and sociable people. Checklists and other formal instruments do not help if you cannot pick up the phone and call your colleague or simply walk across the hallway and knock on the door of the sales department.”\(^{593}\)

### 7.3 Organization

“[…] [T]he first clue to how an organization understands its markets and customers and attempts to deal with them is provided by its structure.”\(^{594}\) A company’s ability to

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588 The Iglo example is based on expert interview [45], Iglo (Erler)
589 Fiol (1991), p. 197
590 The Fissler example is based on expert interview [46], Fissler (Loges)
591 Slater and Narver (1995), p. 63
592 Slater and Narver (1995), p. 65
593 Expert interview [49], Frosta (Ehlers)
594 Piercy and Morgan (1993), p. 132
stimulate, recognize and respond to signals from its market greatly depends on how it is organized. A differentiated and situational marketing approach imposes specific requirements to a company’s infrastructure. Hence, a company that targets a new market segment must be organized in a way that allows the effective and efficient implementation of a marketing program. Organizational barriers that hinder implementation comprise a lack of power or isolation of the unit responsible for implementation, as well as organizational inflexibility. Organizational drivers include high organizational anchoring and formal coordination of the new segment project, a versatile team structure and effective cooperation mechanisms, as well as organizational flexibility and adaptability.

7.3.1 Barriers

7.3.1.1 Missing Power

In some companies, marketing plays a subordinate role. The successful implementation of a marketing program for a new target segment in such organizations therefore becomes a difficult task. Similarly, if a business unit driving the new segment project lacks formal power, the project’s implementation is difficult.

“The challenge and problem is that marketing sometimes does not have the hierarchical position within a company that it requires to have the necessary influence. […] The success of a company is primarily determined by marketing as it generates value for the company. […] However, marketing’s importance is often not reflected in a company’s hierarchy and structure.”

“[…] Marketing does not really have a chance to acquire a new market segment when other functions, such as sales, have more power within the company and those functions will either put in a veto or influence the initiative in a way that has nothing to do with targeting a new market segment based on objective segment insights.”

7.3.1.2 Isolation and Inflexibility

The further problems that the experts identify are based on the isolation of the teams or units who are responsible for the new segment project. Consequently, solutions are

595 Piercy and Morgan (1993), p. 132
596 Belz (1984b), pp. 25-27
597 Expert interview [31], LEAD Innovation (Putz)
598 Expert interview [31], LEAD Innovation (Putz)
developed that lack practicability or initiatives somehow vanish as implementation responsibilities are not clear. Often, efforts are initiated by market research specialists or agencies “[…] who sit in their ivory tower, usually have nothing to do with operational business and deal with complex issues that cannot be understood or are not accepted by those responsible for the implementation.” Wishful marketing concepts are not realizable and lack practicality. In this case, segment definitions and insights do not provide added value for the implementation of a marketing program for a new market segment.

Often, a specifically dedicated team or business unit is responsible for market segmentation efforts and thus for the identification of potentially new market segments. According to an expert, this team or business unit needs to play an important role within the company and have formal power to delegate:

“I have experienced it myself. If your role is not acknowledged and is a rather ‘nice-to-have-function’, implementation is simply difficult. We are perceived as those who think strategically and creatively, but we have no formal power to bring our ideas into the lines. We can only suggest to go into this direction or to tackle this segment but then our job is done and no one is responsible in further pursuing our idea. And even if an idea is followed up on, it might lose priority very soon”

Efforts to successfully win a new market segment can require extensive organizational changes to which companies are not capable or willing to commit. One expert presumes: “[a] company’s organization slowly evolves on the basis of a certain business model that might have been in place for a long time. The acquisition of a new market segment may require new channels, new processes and new products. Companies, however, struggle in restructuring accordingly.”

7.3.2 Drivers

7.3.2.1 Hierarchical Anchoring and Formal Coordination

The strategic initiative to acquire a new market segment is a long process during which different functions contribute. Delegation and coordination are, therefore, critical tasks. Responsibility for the project should be anchored at a high organizational level.

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599 Expert interview [14], anonymity guaranteed
600 Belz and Senn (1997), p. 43
601 Expert interview [12], anonymity guaranteed
602 Expert interview [43], Vileda (Dietz)
in order to lend the project its necessary priority and to ensure formal power is in place to promote the project’s implementation. The project must be steered “[…] by someone in the driving seat. And this must not be a usual product manager but someone who can influence a company’s strategy and is responsible for business development.”\(^{603}\) Formal authority is required to coordinate and enforce the implementation, as one expert claims: “I am not some kind of marketing support, neither am I hierarchically positioned somewhere irrelevant. […] You need to be formally able to influence those who are responsible for implementation. […] And that is extremely important.”\(^{604}\)

Companies that successfully implement a marketing program for a new market segment are characterized by the strong role of marketing in the organization in general. This enables the marketing function in turn to coordinate and influence implementation efforts. At Bonduelle in Germany, marketing plays a very important role and, in fact, no particular research and development department exists. Central researching agronomists in France develop new tinned food innovations together with the marketers; in fresh cut salad these innovations are developed internally within the marketing team where expert knowledge has been built up. Impulses are market-driven and the innovation process is steered by marketing to ensure the development of products that satisfy a segment’s needs.\(^{605}\)

Some companies have installed a specialized institution or even a subsidiary that executes and coordinates the identification of new market segments and the associated implementation of marketing programs. A specialized function or ‘marketing cell’ can increase a company’s flexibility towards changes in marketplace, concentrate the focus on the project and enforce the implementation of marketing activities.\(^{606}\) The allocation of the task to a specialized function can be advantageous, as the project will be given priority. Time and monetary resources are also more easily obtained. However, formal coordination mechanisms must be installed to ensure successful coordination by the specialized division. Sennheiser established the subsidiary Sennheiser Innovation (Schweiz) AG with the purpose of identifying the future trends of consumers. Socio-psychological trends are anticipated and forecasted, observed and verified, allowing the identification of different future market development scenarios. In this way, Sennheiser is able to detect and concretize the potential future needs of

\(^{603}\) Expert interview [41], Dextro Energy (Ehrenbeck)
\(^{604}\) Expert interview [40], Bank Coop (Peter)
\(^{605}\) The Bonduelle example is based on expert interview [36], Bonduelle (Kuhnle)
\(^{606}\) Belz (1989), pp. 300-301
consumers and develop initiatives in close coordination with employees from the business units. Being located in Zurich Technopark, close to the ETH, the Swiss Federal Institute of Technology and far away from their headquarters in rural Wedemark, Germany, allows the team to work in a creative environment without being distracted by operational issues.607

7.3.2.2 Team Structure and Cooperation

The implementation of a marketing program requires full attention, joint efforts and particular expertise across the different functions of a company. Complex projects such as the acquisition of a new market segment necessitate effective teamwork, as tasks cannot simply be divided up and worked on individually.608 Activities need to be aligned, the necessary information needs to be exchanged and communication enhanced so that everyone knows what to do and is aware of their contribution to the whole.609 In general, cooperation between different functions in a company increases performance, as interests are better understood and influenced by each other, more ideas arise and are discussed, more relevant information is obtained and shared, communication about tasks increases, the project’s progress is more frequently reviewed and assistance between individuals is enhanced.610

The experts agree that cross-functional teamwork and fruitful cooperation between various functions in a company are critical success factors:

“Due to increased cooperation the people involved feel more responsible. […] The failure rate in the execution [i.e. the implementation of marketing activities for the new market segment] could be reduced tremendously. Satisfaction of those involved has risen and solidarity likewise. Typical conflicts between functions do not exist anymore and the relationship between them can almost be described as harmonic. As a result, energy can be used more effectively.”611

Another expert agrees and states that increased cooperation was a reason “[…] that the success rate in targeting new market segments and innovations has doubled.”612

Various experts state that the formal establishment of diverse and multi-functional teams improves cooperation. Teams should consist of members from various different

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607 The Sennheiser example is based on expert interview [47], Sennheiser (Sennheiser)
608 Belz (1999), p. 2; Pinto and Pinto (1990), p. 207
609 Expert interview [44], FrieslandCampina (Döffinger)
610 Olson et al. (2001), p. 262; Pinto and Pinto (1990), p. 208
611 Expert interview [45], Iglo (Erler)
612 Expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)
disciplines that directly affect the efforts to acquire a new market segment. The composition of the team plays a major role in the adoption of ideas and directions. Therefore, a well-balanced mix of team members of differing functions should be chosen. At Sennheiser, marketers, market researchers, designers, engineers and business planners work together from an early stage to develop scenarios and product concepts.\footnote{The Sennheiser example is based on expert interview [47], Sennheiser (Sennheiser)} Dextro Energy built up a project team consisting of executives from various functions, such as marketing, sales, R&D and operations, in order to tackle the market segment of endurance athletes.\footnote{The Dextro Energy example is based on expert interview [41], Dextro Energy (Ehrenbeck)} Likewise, many of the other experts state the need to form multi-functional teams and emphasized the need for cooperation, particularly between marketing and the divisions of sales, R&D and operations. In addition, teams (be it on a cross-functional level or on a divisional level) should reflect diversity not only in terms of professional background, but also in gender, experience and lifestyle.\footnote{Expert interview [33], FrischCo. (Kreienkamp)} “We have attempted to form a mixed team that consists of members of different genders and ages. In this way, team members see certain issues differently and can contribute different and enriching perspectives.”\footnote{Expert interview [40], Bank Coop (Peter)} Similarly, one expert states: “[w]hen I started working at the Ikea Think Tank in Germany, most members of the Think Tank were male and above forty years old. However, our main targets were young women. You should avoid homogeneity.”\footnote{Expert interview [29], Zukunftsinstitut (Köhler)} Segment similarity of the whole team might not be necessary, but “[…] the team structure should be more representative”, as different views are beneficial.\footnote{Expert interview [29], Zukunftsinstitut (Köhler)}

While informal communication and cooperation mechanisms (see Section 7.2.2.3) are important, experts also state that formal mechanisms are required to enhance cooperation. Formal mechanisms can even be a driver to boost informal cooperation. Formal mechanisms can simply aim to enforce the sharing of information but also pursue the goal of encouraging collective working on a specific task. Whereas many experts stress the importance of sharing information, often effective cooperation requires more than that; namely, solving specific tasks together. “We regularly meet; all departments which have a stake in it, from finance to development as well as marketing and sales. […] We try to share information in weekly meetings and, more importantly, to work together on the project.”\footnote{Expert interview [45], Iglo (Erler)}
enables a shared understanding, increases commitment and prevents problems and conflicts between different functions.\textsuperscript{620}

“When we develop a product for a new market segment, marketing and R\&D collectively create the briefing for the product concept. […] In the past, marketing wrote the briefing and gave it to R\&D or R\&D had developed a product concept on its own without considering input from marketing. And if there is no common understanding, these projects are doomed to fail. […] By writing the briefing together, many questions and issues can be solved upfront.”\textsuperscript{621}

At Sennheiser, the team responsible for strategic innovations is supplemented by people responsible for the project’s implementation. In integrative design thinking workshops, specific tasks and issues are approached together until the concept for the market segment’s product roadmap is finalized.

“We are neither an ivory tower nor a think tank. We are open and people who are responsible for the implementation of a marketing program join the projects. It is extremely important to take those people out of daily business and get them onboard to get the process started and eventually implemented.”\textsuperscript{622}

7.3.2.3 Flexibility and Adaptability

Market-oriented companies that continuously locate and exploit market opportunities perform better when their organizational structures are flexible and adaptive.\textsuperscript{623} Since targeting a new market segment often requires specialized knowledge and new ways of behaving, companies need to react flexibly. “[A]n organization’s structure should ultimately be adapted to the market” and serving a new market segment may necessitate reorganization.\textsuperscript{624} A complex organization of tasks and processes impedes the successful realization of marketing efforts.\textsuperscript{625} Companies often do not adapt their organization when market conditions change.\textsuperscript{626} The adaptation of the organization can also lead to a confusing fragmentation of responsibilities, increasing complexity and inefficiencies.\textsuperscript{627} Changes of the organization should only be undertaken if it increases

\textsuperscript{620} Belz (1999), pp. 2-3
\textsuperscript{621} Expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)
\textsuperscript{622} Expert interview [47], Sennheiser (Sennheiser)
\textsuperscript{623} Olson et al. (2005), p. 60
\textsuperscript{624} Expert interview [38], Gutfried (Stenske)
\textsuperscript{625} Belz (1984a), p. 274
\textsuperscript{626} Belz (1984b), p. 25
\textsuperscript{627} Belz (1984b), pp. 25-27
the effectiveness and efficiency of the implementation of marketing activities. The need may arise to create or rearrange positions, teams or even whole business units. Changes can be quite small, such as employing a specialist for a certain position, but can actually have far-reaching organizational consequences. At Lorentz Bahlsen Snack-World, new market segments are managed by specific product managers. The brands Crunchips and Naturals, serving different market segments, are each managed by a separate team to ensure a focused and specific management of the brands.628

When Grohe entered the market segment of kitchen fittings, it reorganized its sales structure. Its existing sales structure for bathroom fittings was based on geographic regions, with regional sales managers managing the retailers of bathroom fittings and craftsmen. As channel partners in the segments of kitchens and bathrooms are totally different in terms of needs and expectations, the sales structure was reorganized in accordance with the channels. In addition, specific key account management teams for the various channels were formed. “It would not have been impossible to serve both segments with the same sales representatives.”629

Dextro Energy built up a totally new business model when it started to target endurance athletes with its sports nutrition product. New production sites and new sales channel partnerships had to be established.630 The TUI Group actually founded the start-up business TUI Cruises to serve its newly targeted segment of wealthy, individualistic travelers born in the baby boomer generation. Whereas the TUI Group is situated in Hannover, Germany, TUI Cruises is located in Hamburg and acts as an independent subsidiary.631

7.4 Management and Leadership

The success of implementation efforts also greatly depends on the management and leadership of a company. The implementation of marketing activities often fails as the management does not take over the responsibility and lacks self-discipline.632 The new target segment project must be given highest priority. The barriers limiting the implementation of targeting efforts directed at a new market segment include missing top management commitment and a management style that is dominated by short-term

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628 The Lorenz Bahlsen Snack-World example is based on expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)
629 The Grohe example is based on expert interview [25], Grohe (Fischer)
630 The Dextro Energy example is based on expert interview [41], Dextro Energy (Ehrenbeck)
631 The Tui Cruises example is based on expert interview [50], Tui Cruises (Behrens)
632 Belz (1984a), p. 276
focus. Drivers, in contrast, comprise active top management engagement and a dedicated sponsor leading the project.

7.4.1 Barriers

7.4.1.1 Missing Commitment

In companies where the initiative to target a new market segment does not capture top management’s interest or is perceived as a “[…] ‘nice-to-have’ project” without having the necessary priority, the initiative’s implementation is threatened. The top management’s commitment consists of the top management’s attitude towards risk and top management’s support. Risk aversion and missing support can both impede the targeting of a new market segment.

If top management does not perceive the need and pressure to act and exploit new growth sources, risk aversion often prevails, as one expert exemplifies: “[t]op management might stick to current business models, if the right decisions were made in the past and business is currently going well.” In such a case, the willingness to accept a potential failure is not given. Top management may not agree to pursue the initiative to target a new market segment at all or will only provide limited resources and not actively enforce its implementation.

The top management’s missing support can result in ambiguity concerning the initiative’s priority among functions and employees and can consequently hamper its implementation. Selling the initiative internally becomes much harder when top management does not explicitly express its commitment. Top management’s support means that top managers encourage employees, help employees overcome problems and foster cross-functional cooperation and communication. It results in a beneficial working environment that enhances enthusiasm and motivation. Missing support might lead to the barriers identified earlier, such as missing power and the isolation of the business unit driving the initiative, or may result in conflicts and politics between different functions.

A lack of commitment by top management exists if the initiative is not perceived as highly relevant or is seen as one minor project among many others. If this is the case, the initiative does not have priority and the “[…] allocated monetary and human

633 Expert interview [12], anonymity guaranteed
634 Rodríguez et al. (2008), p. 120
635 Expert interview [38], Gutfried (Stenske)
636 Rodríguez et al. (2008), pp. 120-121
resources are usually very limited.”  

Appropriate funds and resources are not provided and cooperation is not fostered. Acquiring a new market segment necessitates, however, substantial investment into market research, structural changes and marketing expenditures to reach, convince and serve the new market segment. A ‘give-it-a-shot’ mentality that often prevails is not supportive, as “targeting a new market segment opens up a can of worms” and commitment must be given not only in terms of faith, but also in financial resources.  

A lack of top management emphasis is a further issue that can hamper the successful acquisition of a new market segment. As the initiative of targeting a new market segment is usually financed by the reallocation of budgets (instead of the provision of additional funds), other projects’ budgets would need to be cut. The portfolio of served market segments increases while the budget is held constant. Instead of focusing on specific segments intensely, financial resources are allocated evenly, which does not allow substantial investments into any market segment. “It requires emphasis and courage from top management when new market segments are entered as the acquisition requires intensive and recurring investments.” However, large investments into new market segments are rare. In times where investments are only made when its return can be predicted, it “[…] requires financial transparency to receive commitment.”  

The returns on investments of new market segments are usually much lower than those of existing segments in the first three years. As “[…] the financial evaluation of marketing programs for new market segments is difficult in the initial phases of the project” top management is usually rather careful with substantial shifts in budgets and the dedication of substantial investments into new market segments in early phases.  

Many experts claim that the successful acquisition of a new market segment is associated with high investments and that missing monetary resources is one major key challenge. While the investments and resources required are often underestimated, it must be emphasized that companies simply possess limited resources. “We do not possess the same monetary resources as big multinational firms that can simply invest into various brands. […] We need to focus.” Big investments, although helpful, do not guarantee success. Iglo’s introduction of its 4 Sterne menus for ambitious singles,
single parent families and young families was accompanied by an advertisement campaign in which 20 million Euros were invested within 18 months. However, the expected success was not achieved. Whereas high awareness levels were established with the campaign, which starred the gay couple Holger and Max, sales levels did not rise. But after minor changes in the campaign’s execution requiring a tenth of the preliminary budget, sales were doubled.643

7.4.1.2 Short-term Focus

Another point related to missing top management’s commitment is top management’s short-term focus. “Some people may get really nervous if sales [generated from the new market segment] do not boost within the first three months.”644 However, many experts state that only a few initiatives have an immediate impact and “[…] become a big hit.”645

“It is often assumed that a new market segment will react immediately to invested efforts in the same ways as market segments do that have been served for a long time. Companies, however, may need to build up a new distribution system and it simply requires time to establish oneself in a new market segment.”646

A prevalent short-term focus in marketing enforces a hectic climate within the company and leads to the implementation of numerous, meaningless initiatives that lack a real impact and miss differentiation.647 Belz (1989) states that a short-term focus in marketing and ‘occasional marketing’ lead to marketing initiatives with destructive consequences such as pseudo differentiation, exchangeability, incredibility and inefficiencies.648 Sustainably winning a new market segment requires continuity. It requires recurring efforts to first make the new market segment aware of the new offering, second to persuade them to try it and third to convince them to repurchase it. “It is not enough to implement one big campaign for one year but you need to constantly communicate to the market segment over years.”649 Invested resources are oftentimes rather seen as sunk costs if no immediate success occurs, instead of perceiving them as investments into future revenues. Particularly in the case of

643 The Iglo example is based on expert interview [30], Mayer de Groot Marketing Research and Consult (Mayer de Groot); Mayer de Groot (2010), p. 7
644 Expert interview [38], Gutfried (Stenske)
645 Expert interview [38], Gutfried (Stenske)
646 Expert interview [31], LEAD Innovation (Putz)
648 Belz (1989), pp. 179-180
649 Expert interview [45], Iglo (Erler)
unexpected events that necessitate cost cutting, top management may block projects that are not perceived as essential or providing steady revenues. An expert for ethno-marketing explains: “[i]n an economic downturn or crisis, investments are cut and reduced for segments that are new in the portfolio and that are least understood.”

The initiative to target a market segment is suppressed before it can prove its legitimacy.

7.4.2 Drivers

7.4.2.1 Top Management Engagement

The decision to enter a new market segment and the implementation of a marketing program can incorporate substantial changes in the way business is done in the company. Introducing new perspectives, orientations and priorities, such as targeting a new market segment, require commitment and signals from top management about their importance. However, top management commitment starts much earlier, as they must lay the foundation for employees to continuously strive to identify new segment potentials and must put in place the ethos “that you are allowed and encouraged to think about new issues.”

Jaworski and Kohli (1993) provide evidence that top management’s reinforcement of market orientation enhances individuals in tracking market changes, disseminating market intelligence and improving their responsiveness towards market needs.

During the implementation of a marketing program, many ups and downs are experienced by all employees contributing to the process of acquiring a new market segment. The realization of marketing initiatives is dynamic, iterative and interactive. Decisions are made and revised constantly. In order to keep the momentum high during the whole project, “[…] you need certain people in a top management position who say that they believe in it, that we are on the right track and that we will rigorously pursue it.”

“Support and backing by the top management are especially needed when unexpected events occur or critics simply wait until they can attack the initiative. When a company targets a new market segment, not every Euro invested will pay out in the beginning; you need to learn. And if

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650 Expert interview [27], Beys (Gözüakça)
652 Expert interview [42], anonymity guaranteed
654 Belz (2003), p. 56; Belz et al. (2000), p. 97; Belz and Senn (1997), pp. 41-42
655 Expert interview [38], Gutfried (Stenske)
there are people criticizing, it is beneficial when top management provides support and keeps on believing in winning the new market segment.”

The efforts directed towards targeting a new market segment are most promising when top management bases its decisions on a long-term strategy and vision. “When seriously pursuing a new market segment, top management must have a long-term strategic direction.” Continuity and sustainability are very important.

The acquisition of a new market segment requires acceptance, commitment and joint efforts across functions within the company. For this reason, “[...] it is extremely important that the initiative is addressed by the top management. It is not sufficient when the marketing director is the sole driver of it.” In order to successfully sell the project internally, “top management must back it up and communicate its priority.”

“When I introduce the ‘eva program’ to new employees during the introduction week, for example, it is much easier to convey its importance as it is part of our philosophy and corporate strategy. [...] Many other banks have tried to target female market segments as well. The difference is that their initiatives were solely driven by the marketing or sales departments. Commitment to the market segment is in these cases much less and, more importantly, budgets can be easily cut. That would be impossible in our case.”

Some of the experts indicate the danger that commitment could be interpreted as empty phrases and suggest that top management needs to prove its commitment. Dextro Energy’s top management showed its commitment in targeting endurance athletes by investing heavily in the sponsorship of the Dextro Energy Triathlon ITU World Championship Series, which featured seven world-class events around the globe. Appearing as the main sponsor involved a long-term lock-in investment. In acting as role models, top management needs to convey authenticity and believability, not only to the employees implementing the marketing program for the market segment, but also to the general public. “If you target a sustainable and environmentally conscious market segment, top management must behave

656 Expert interview [39], A.T.U (Dereli)
657 Expert interview [38], Gutfried (Stenske)
658 Expert interview [41], Dextro Energy (Ehrenbeck)
659 Expert interview [40], Bank Coop (Peter)
660 Expert interview [40], Bank Coop (Peter)
661 The Dextro Energy example is based on expert interview [41], Dextro Energy (Ehrenbeck)
accordingly. A fish rots from the head down. And if top management does not act accordingly, employees won’t follow and customers won’t believe it.”

7.4.2.2 Internal Sponsor and Leader

In addition to top management’s general commitment towards targeting a new market segment, experts claim that a dedicated internal sponsor of the initiative can further enforce its progress and implementation. “If something new is introduced to the company, such as the strategic decision to pursue a new market segment, it is simply helpful if you have an ‘advocate’ for it.” A sponsor should “[…] embody the initiative”, “[…] stand for it and authentically defend its implementation.” The sponsor should personify the initiative and “[…] provide it with a distinctive profile” in order to market the initiative internally and externally. In this way, the initiative is perceived relevant, “[…] increasing the initiative’s acceptance and adoption by employees” and other stakeholders. In order to act as a sponsor, the person in question should have “[…] a suitable position”, “[…] a say in the company” and “[…] substantial, strategic influence to drive the initiative.”

The sponsor should give fresh impetus and have the required understanding and commitment for employees to successfully cope with the efforts associated with targeting a new market segment. In doing so, the program leader must have a strong belief in succeeding and a charismatic personality to convey their vision. “You need to have someone determined, charismatic and convincing” who is able to gain employees’ attentions and emotionally motivate them in achieving defined objectives and visionary beliefs. Targeting a new market segment is associated with unforeseeable risks. “It is an adventure and it requires [the program leader’s] willingness to take risks” as “[…] investments need to be taken that might perhaps not be recovered.” The sponsor needs to be open-minded and “[…] be a good listener” who proactively engages in discussions with employees, absorbs different

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662 Expert interview [29], Zukunftsinstitut (Köhler)
663 Expert interview [38], Gutfried (Stenske)
664 Expert interview [40], Bank Coop (Peter)
665 Expert interview [38], Gutfried (Stenske)
666 Expert interview [40], Bank Coop (Peter)
667 Expert interview [38], Gutfried (Stenske)
668 Expert interview [40], Bank Coop (Peter)
669 Expert interview [38], Gutfried (Stenske)
670 Expert interview [41], Dextro Energy (Ehrenbeck)
671 Expert interview [38], Gutfried (Stenske)
672 Expert interview [48], Lorenz Bahlsen Snack-World (Fellenz)
673 Expert interview [41], Dextro Energy (Ehrenbeck)
674 Expert interview [38], Gutfried (Stenske)
perspectives and incorporates valuable inputs.\textsuperscript{675} The sponsor needs to show its appreciation towards the employees, involve the employees emotionally and capitalize from the employees’ emotional intelligence.\textsuperscript{676} Experiences and promising ideas of employees need to be gathered and promoted encouraging a ‘\textit{bottom-up marketing}’.\textsuperscript{677} Employees need to have a connection with the sponsor, feel appreciated and have trust in them.

7.5 Summary

Implementation efforts are impeded and driven by specific employees’ characteristics and skills, the corporate culture and structural and organizational issues, as well as the management and leadership style. Table 7-1 to 7-4 summarize the various barriers and drivers and delineate the resulting consequences for the implementation of the targeting efforts.

\textit{Table 7-1: Barriers and drivers – employees’ characteristics}

<table>
<thead>
<tr>
<th>Category</th>
<th>Barrier/Driver</th>
<th>Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees’ characteristics</td>
<td>Subjectivity</td>
<td>- Projecting one’s own preferences on the target segment</td>
</tr>
<tr>
<td></td>
<td>Superficiality and Stereotyping</td>
<td>- Projecting generalized beliefs on the target segment</td>
</tr>
<tr>
<td>Ability to absorb, interpret and transfer knowledge</td>
<td></td>
<td>- Rational understanding of target segment</td>
</tr>
<tr>
<td></td>
<td>Empathy, segment similarity and intuition</td>
<td>- Effective identification and use of segment insights</td>
</tr>
<tr>
<td></td>
<td>Openness and creativity</td>
<td>- Emotional understanding of target segment</td>
</tr>
<tr>
<td></td>
<td>Openness and creativity</td>
<td>- Effective use of segment insights</td>
</tr>
<tr>
<td></td>
<td>Persistance and persuasiveness</td>
<td>- Abandoning preconceived opinions</td>
</tr>
<tr>
<td></td>
<td>Expertise and market knowledge</td>
<td>- Exchange with colleagues</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Generating new and innovative ideas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Convincing internal employees and external market partners</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Firm technical and procedural knowledge to develop and implement marketing program</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Understanding market mechanisms</td>
</tr>
</tbody>
</table>

\textsuperscript{675} Expert interview [29], Zukunftsinstitut (Köhler)
\textsuperscript{676} Belz (1999), pp. 4-5
\textsuperscript{677} Belz (2003), p. 56; Belz (2009a), p. 38
### Table 7-2: Barriers and drivers – corporate culture

<table>
<thead>
<tr>
<th>Category</th>
<th>Barrier/Driver</th>
<th>Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture</td>
<td>Embedded routines and differing values</td>
<td>- Skepticism and resistance to implement marketing program</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Hampering new ways of thinking</td>
</tr>
<tr>
<td></td>
<td>Politics and conflicts</td>
<td>- Efforts to keep status quo</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Functional conflicts and comprises</td>
</tr>
<tr>
<td>Customer and segment-oriented culture</td>
<td></td>
<td>- Setting the segment in the focus of activities and priorities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Companywide cooperation, commitment and enthusiasm</td>
</tr>
<tr>
<td>Innovative, creative and experimenting culture</td>
<td></td>
<td>- Anticipation and identification of latent segment needs and development of unique offering</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Strong and continuous drive to serve the segment innovatively</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Learning</td>
</tr>
<tr>
<td>Shared identity and open culture</td>
<td></td>
<td>- Companywide determination and commitment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Common language, open communication and understanding</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Cooperation and faster decision-making</td>
</tr>
</tbody>
</table>

### Table 7-3: Barriers and drivers – organizational structure

<table>
<thead>
<tr>
<th>Category</th>
<th>Barrier/Driver</th>
<th>Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization</td>
<td>Missing power</td>
<td>- Missing priority of the new segment project within the company</td>
</tr>
<tr>
<td>Isolation and inflexibility</td>
<td></td>
<td>- Lack of practicable and implementable solutions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Lack of formal power to enforce implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- No commitment to organizational changes</td>
</tr>
<tr>
<td>Hierarchical anchoring and formal coordination</td>
<td></td>
<td>- Priority and formal power to enforce implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Effective and orchestrated coordination of activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Required time and human resources are made available</td>
</tr>
<tr>
<td>Cross-functional team structure and cooperation</td>
<td></td>
<td>- Alignment of activities, increased information exchange</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Increased involvement, faster decision-making</td>
</tr>
<tr>
<td>Flexibility and adaptability</td>
<td></td>
<td>- Required organizational changes are implemented</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Necessary resources are made available</td>
</tr>
</tbody>
</table>
### Table 7-4: Barriers and drivers – management and leadership style

<table>
<thead>
<tr>
<th>Category</th>
<th>Barrier/Driver</th>
<th>Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and Leadership</td>
<td>Missing commitment</td>
<td>- Lack of priority for project and risk aversion impede consequent implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Confusion and conflicts within the company</td>
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<tr>
<td></td>
<td></td>
<td>- Abandoning the project</td>
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<tr>
<td></td>
<td></td>
<td>- Resources are not made available</td>
</tr>
<tr>
<td></td>
<td>Short-term focus</td>
<td>- Missing sustainability and continuity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Abandoning the project</td>
</tr>
<tr>
<td>Top management engagement</td>
<td></td>
<td>- Segment-oriented culture, priority and necessity of the project is recognized</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Continuity and sustainable implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Commitment by employees to implement marketing program</td>
</tr>
<tr>
<td>Internal sponsor and leader</td>
<td></td>
<td>- Enforcement of implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Conviction and commitment of employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Orchestration of activities</td>
</tr>
</tbody>
</table>
8 Conclusions

This last chapter of the dissertation presents the conclusions and implications of the research findings. First, I will summarize the results of the research along the research goals that have been posed. In the second part of this chapter, the research findings and their managerial implications are integrated and condensed into a managerial roadmap. This section is followed by a discussion of the dissertation’s contributions to theory and existing research. Eventually, I will delineate the limitations of this work and suggest further avenues for future research.

8.1 Summary of Results

In the beginning of this work I posed the central research question: ‘How can companies successfully implement a segment-specific marketing program for a new target segment?’ I uncovered several deficiencies in the existing research and formulated corresponding research goals to close the gaps and answer the central research question. In the following section, I summarize the research results along the formulated research goals.

Research Goal 1: Explore the requirements of a successful segment-specific marketing program for a new target segment

The implementation of a marketing program for a new target segment usually imposes greater challenges than the implementation of a marketing program for an existing target segment. The first purpose of this work was to identify the requirements that a marketing program needs to fulfill in order to yield positive responses from a new target segment. The expert interviews that I held revealed four main criteria that a marketing program needs to fulfill: it needs to establish high awareness levels within the targeted segment and ensure the availability of the offering in the marketplace. Further, it needs to generate a perceived advantage and establish credibility among the targeted consumers.

The implemented marketing program needs to generate awareness within the new target segment. Companies can achieve appropriate awareness levels when they use channels that reach the new target segment. Companies should employ segment-specific communication channels. Segment-specific communication channels enable a company to communicate distinctively with the target segment. Sometimes, the media usage behavior within a segment can be diverse and specific communication channels
do not exist that allow a company to reach a large proportion of the segment. In this case, companies can use far-reaching channels to address the targeted segment. Companies may also not have the resources to differentiate their communication practices for different target segments. As a consequence, they must bundle their communications for targeted segments and address the segments with the same message over far-reaching channels. The point of sale is then an important touchpoint that enables a company to communicate distinctively with the target segment. Frequent and continuous exposures, as well as attention capturing communications, are required to build up awareness. Multiplication effects through word-of-mouth can be a helpful means to establish awareness and companies should enforce these and encourage opinion leaders to ‘spread the word’.

Closely connected with the requirement of awareness is the requirement of availability. A company must ensure the visibility of the offering for the new target segment within the marketplace. Segment-specific distribution channels enable a company to distribute the offering where consumers shop and expect to find the offering. The choice of channel partners is crucial as the shopping experience must fit with the positioning and the purchase motives of the target segment. The presentation at the point of sale should make the consumers aware of the offering and display the offering in a segment-specific way. Innovative point of sale concepts should encourage the trial of the offering.

The newly targeted consumers need to perceive a relative advantage when they acquire, consume or use an offering. The marketing program should convey and deliver a relevant, sustainable, specific, unique and superior bundle of emotional and functional benefits.

It is important to establish credibility among newly targeted consumers. A company should provide evidence of its expertise and create trustworthiness. The source of the offering must be able to transmit the competence of the company and its expertise to deliver its promises. Endorsements can help to build up perceptions of expertise. Consumers trust a company when it communicates believably, acknowledges the specificities of the segment and interacts with the segment credibly. Credibility requires consistency and the delivery of promises. A company should reduce a consumer’s cognitive dissonances to maintain credibility.

*Research Goal 2: a) Assess how and to what degree companies can adapt an existing marketing program for a new target segment*
b) Explore which factors determine the appropriate intensity levels of marketing program adaptations

Companies can adapt the defined components of a marketing program with varying degrees of adaptation intensity. A company can adapt the brand, the positioning, the price, the product, the distribution and the communication of an existing marketing program. This dissertation has revealed the concrete adaptation options that companies can utilize when they adapt a specific component of a marketing program for a new target segment. The provided framework of adaptation options structures the adaptation options along two dimensions. First, the adaptation options refer to a specific component of the marketing program. Second, the adaptation options differ in the degree of adaptation intensity. The horizontal adaptation intensity of the individual components may vary from no adaptation at all up to total adaptation of the component. The amount and the hierarchical order of the horizontally adapted components of a marketing program describe the vertical adaptation intensity of a marketing program. An increase in vertical adaptation intensity usually associated with a higher resource intensity for the implementation of the marketing program.

Theoretically, a company may combine the introduced adaptation options of individual marketing program components in any way possible. The appropriateness of the specific adaptation option of a marketing program component depends on two main criteria. First, the fit between the existing marketing practices and the characteristics of a new target segment determines the required adaptation intensity and, thus, the appropriate adaptation option. A company should identify the characteristics of the new target segment and investigate to what degree these characteristics require a company to change its existing marketing practices. The characteristics of a segment that may impose changes to existing marketing activities entail:

- the media usage and shopping behavior of the market segment
- the benefits that the market segment seeks
- the attitude of the market segment towards an existing offering
- the demographic characteristics of the market segment
- the cultural characteristics of the market segment
- the socio-economic characteristics of the market segment
- the psychographic characteristics of the market segment

An evaluation of the ‘segment-program fit’ enables a company to identify which components of an existing marketing program to adapt and to what extent. A high ‘segment-program fit’ usually indicates a low adaptation intensity of an existing
marketing program and a low ‘segment-program fit’ requires a high adaptation intensity of an existing marketing program.

Second, potential spillover and cannibalization effects also determine the appropriate adaptation intensity level of marketing activities. The existing customers may perceive the marketing activities that the company directs to the new target segment. They may also directly experience the new target segment when it acquires or consumes a company’s offering. These perceptions may lead to favorable or unfavorable responses among existing customers. A company can enforce positive or avoid negative spillover effects and their consequences, such as cannibalization. It can enforce spillover and cannibalization effects when it adapts a marketing program with low adaptation intensity. The company can employ existing communication and distribution channels to increase the chance of the existing target segment encountering the new offering. Associations with existing offerings should be provided by means of the brand, the product and the creative execution of marketing communications. A company can prevent spillover and cannibalization effects when it adapts a marketing program with high adaptation intensity. The use of different communication and distribution channels decreases the possibility of existing customers encountering the offering. A new brand, product design and communication appeal decouples the new offering from an existing offering and reduces the transferability of spillover effects.

Research Goal 3: Create a typology of new segment strategies and their respective, successful implementation approaches

A typology of new segment strategies and their respective successful implementation approaches has been developed using case study research. The case study research revealed six different strategies that a company can pursue when it targets a new market segment (see Figure 8-1). It also provided evidence for the specific adaptation patterns that a company should implement when it follows one of the suggested strategies.

The Differentiator is a company that targets a new market segment that is substantially different from an existing target segment. The segments deviate heavily in their attitudes and the benefits they seek. The Differentiator seeks to generate favorable attitudinal and behavioral responses within the new segment. It avoids references to an existing brand and offerings and substantially adapts the components of a marketing program. The Differentiator may face potential negative spillover effects, which can lead to unfavorable responses among existing customers. The Differentiator needs to invest many resources to adapt its marketing program for the new target segment.
The Specializer is a company that strives to win a very specific segment. In contrast to The Differentiator, The Specializer can benefit from a general positive attitude towards the brand and high levels of awareness. It can exploit the parent brand’s goodwill. The Specializer can build up expertise and positively develop the competence of the parent brand by targeting a very specific segment. The adaptation of the marketing program is moderately high as niche consumers have very specific needs, behavior and requirements. All components of the marketing program are adapted intensely except for the brand. The resource intensity of the adaptation efforts is moderately high.

The Expander pursues the goal of increasing market coverage and targeting a segment that is moderately different from an existing target segment. While consumers of the new target segment generally have a rather positive attitude towards the brand, they do not consider the company’s existing offerings. The offerings do not provide a relative advantage. The benefits delivered by the existing offerings do not overcome purchase barriers and give the segment no reason to buy an existing offering. By providing an additional, independent, relevant and unique benefit, The Expander is able to win the consumers of the newly targeted market segment. In order to convey and deliver the newly introduced benefit, communication practices and the product concept need to be adapted. The adaptation intensity and resource intensity of the adaptation efforts are moderate.

Figure 8-1: Typology – new segment strategies
*The Invisible* is a company that targets a market segment that is quite attracted to its offerings. The new target segment has a favorable attitude towards the brand and the provided offerings. However, the targeting efforts may have a negative impact on the attitudes and behaviors of existing customers. Hence, the purpose of *The Invisible* is to win the new target segment without the notice of its existing customers. In order to avoid negative spillover effects, *The Invisible* communicates and distributes its offerings for the two segments over different channels. The adaptation of the distribution and communication channels enables *The Invisible* to isolate the target segments. A few minor adaptations to the positioning, product and communication content, as well as appeal, may be required to customize the marketing program for the new target segment. The adaptation intensity and resource intensity of *The Invisible’s* targeting efforts are moderately low.

*The Communicator* is a company that concretizes its positioning for a new target segment and communicates its expertise extensively. *The Communicator* understands the concerns and needs of the newly targeted consumers and is able to address them specifically. *The Communicator* is able to advise the new segment specifically and credibly. It possesses suitable offerings for the new target segment and is able to provide an appropriate solution. The adaptation intensity and resource intensity of *The Communicator’s* targeting efforts are low.

*The Extender* is a company that extends its marketing efforts to a close, neighboring segment. *The Extender* pursues the goal of winning new customers but also aims to generate sales from existing customers with its new offering. Hence, it targets the offering to the new and an existing target segment. *The Extender* adapts the marketing program to reduce purchase barriers for the new segment. The adaptations are not extensive as the relevance and attractiveness of the offering must be maintained for existing customers. The adaptation intensity of the marketing program is low as the benefits provided are extended by complementary benefits. Communication and distribution practices are barely changed to ensure positive spillover and cannibalization effects. The resource intensity of *The Extender’s* targeting efforts is low.

**Research Goal 4:** Identify the internal barriers and drivers that affect the implementation of a segment-specific marketing program for a new target segment

A company must ensure that the adaptation of a marketing program is successfully implemented. A company may fail to implement the adaptation at all (e.g. if it does not
install a new and effective distribution channel). It may also fail to implement the adaptation effectively (e.g. if the company emphasizes the appropriate benefit in its marketing communication but does not convey the message credibly). The implementation of a segment-specific marketing program can be impeded or successfully enforced by a company’s internal barriers and drivers. The expert interviews revealed several internal barriers and drivers that affect the implementation of a segment-specific marketing program. They can be categorized into: (1) the employee’s characteristics and skills; (2) the company’s culture; (3) its organization and structure; and (4) the management and its leadership style.

Employees who make decisions on the basis of their subjective opinions or on generalized beliefs can impede the successful implementation of a marketing program. They project their own preferences or stereotypes on the target segment and fail to establish relevance and credibility. Targeting a segment requires employees who are able to absorb and interpret market research information and who are able to transfer this knowledge into concrete marketing activities. A rational, objective understanding of the target segment paired with a natural empathy enables employees to implement segment-specific marketing activities effectively. Employees who think out of the box and break existing cognitive routines abandon preconceived opinions and generate innovative ideas. Open-minded employees share information and foster exchanges between colleagues. Employees who are persistent and persuasive are able to speed up processes and foster implementation. This requires expertise with respect to procedures and market know-how to effectively implement a marketing program.

The implementation of a marketing program may also be hampered by a company’s culture. Skepticism and resistance towards the change of existing marketing practices may result from the embedded routines and the predominant value set in the company. A ‘that’s how things are done here’ mentality prevents the emergence and implementation of new ideas. Similarly, a culture characterized by politics and conflicts between different business units and functions impedes the implementation of a new marketing program. A customer-oriented culture that pervades the whole company is required to target a new market segment. All decisions and activities should be guided by the desire to serve the customer. Some companies may even have a segment-oriented culture. The segment is deeply entrenched in the corporate values and employees identify with the segment. A culture that promotes innovation, creativity and experimentation enforces the successful implementation of a segment-specific marketing program. A company can only implement new and unconventional ideas when its employees have the time and freedom to think creatively. A shared
identity and open culture encourage cooperation and company-wide determination, as well as commitment, to implement the marketing program for the new target segment.

A company’s organization and structure can also either impede or drive a company’s targeting efforts. A company in which marketing plays a subordinated role can have difficulties in implementing marketing initiatives. The priority of the new segment project must be high and marketing must have the hierarchical position to enforce the implementation formally. In cases where the new segment project is steered by a team that is isolated, the implementation of the marketing program becomes a difficult task. Successful implementation requires the coordination of activities across business units and functions. Cross-functional teams enable the alignment of activities and increase involvement. Often, companies face inertia and act inflexibly. The implementation of a marketing program can require organizational changes to which companies often do not want to commit. It requires an organization that is flexible and adaptive.

The success of implementation efforts also depends on the management and its leadership style. The new segment project must receive priority and the management must show its commitment towards it. A missing commitment signals the management’s lack of interest and may result in ambiguity, confusion and conflicts within the company. In cases where the new segment project is perceived as one project among many other projects, the resources allocated to the project are usually not sufficient. A prevalent short-term focus often leads to the abandonment of the new segment project before it can prove its legitimacy: continuity and a long-term focus are required. In many cases, it is beneficial if the project has a sponsor and advocate who can enforce the implementation and orchestrate the activities across business units and functions.

8.2 Managerial Implications

The findings of this research have central implications for managers who target a new market segment and plan to implement a marketing program. In this section, the research findings are condensed and integrated and their implications are translated into a managerial roadmap. The managerial roadmap provides recommendations and reveals how to proceed during the implementation of a marketing program for a new target segment. It allows managers to follow a systematic process (see Figure 8-2).
On the basis of a selected and defined target segment, the process model suggests five steps to follow:

1. Laying the foundation for the targeting efforts
2. Gaining a deeper understanding of the target segment
3. Specifying the targeting purpose
4. Implementing the segment-specific marketing program
5. Controlling the targeting efforts

In the following sections, each process step is introduced alongside an overview of the tasks that need to be executed in the steps and recommendations are derived.

8.2.1 Laying the Foundation for the Targeting Efforts

A company that targets a new market segment must establish a fruitful environment in which ideas prosper, decisions are made and tasks are implemented. Hence, the first step of the process model refers to the creation of a favorable internal environment that provides a promising foundation for targeting efforts and the implementation of a segment-specific marketing program. More specifically, I suggest that a company should establish a favorable infrastructure, form an implementation team and receive (as well as signal) the top management’s commitment.
8.2.1.1 Create a Favorable Infrastructure

Targeting efforts are more successful when a company has a corporate culture that enforces the implementation of these efforts. A corporate culture that promotes customer orientation, innovativeness, creativity, experimentation and openness enables the implementation of a segment-specific marketing program. The creation of such a culture cannot be established within a short period of time and can only be steered to a very limited degree. A company should, therefore, (independent of the new segment project) try to install measures that foster such a culture and prevent embedded routines, differing values, politics and conflicts.

The organization of the company should provide the marketing function with the necessary power to have an influence on and encourage cross-functional coordination and cooperation. Marketing should be positioned within a company as a major driver of future success and should have the hierarchical power to influence and implement decisions. Constant coordination and cooperation between various functions in the company should exist independent of the new segment project. The organization should be adaptive and flexible. Targeting efforts and the implementation of a marketing program for a new target segment may require organizational changes; companies need to react flexibly to such changes. Tasks may be reallocated, processes changed and new employees hired.

8.2.1.2 Form an Implementation Team

A company that targets a new market segment should form a team that is responsible for the implementation. The core team should consist of a team leader and coordinator and people from various functions to prevent isolation and enforce cross-functional cooperation (see Figure 8-3). Preferably, the leader and coordinator is the sponsor of the project who drives the implementation, defends the new segment project and sells it internally in the company. The person must be charismatic, determined and convincing. The core team should be diverse in terms of age, gender and background to consider viewpoints from different angles. The members of the team should be experts in their fields, open, creative and persistent. The core team steers the implementation, makes the implementation decisions and defines and aligns the implementation tasks.
The core team should be extended by a supplemental team of employees from various functions who actively contribute to the implementation of the marketing program. The implementation tasks should be jointly executed by dedicated members of the supplemental team. Members of the supplemental team should have the identified skills that enable the successful implementation of a marketing program. They should be able to absorb, interpret and transfer knowledge. They should also be empathic, open-minded and be firm in their area of expertise. The joint execution of tasks enables the exchange of information, increases mutual understanding, gives fresh impetus and prevents difficulties and bottlenecks in later process steps. Very specific tasks can be solved in functional teams. The various teams should meet regularly and
discuss progress. The formation of teams on different group and functional levels enables the exchange of information and the effective implementation of tasks.

8.2.1.3 Receive and Signal Top Management’s Commitment

The implementation of a marketing program for a new target segment requires top management’s commitment throughout the implementation. It is important to demand and foster the commitment of top management at the beginning of the implementation efforts. Top management should be informed of the initiation of the implementation. It should provide its commitment and acknowledge the project’s priority. Top management should recognize the project as one major driver of future success and integrate the targeting efforts explicitly in the corporate strategy. It is important that the top management provides the project team with confidence and support. It needs to accept that the targeting efforts require continuous investments and long-term commitment. Top management must signal the project’s backing and importance. It can communicate its commitment in company speeches and internal publications (such as via the company newsletter and the intranet) or external publications (such as in the annual report and interviews).

8.2.2 Gaining a Deeper Understanding of the New Segment

Companies usually possess market research results from their segmentation studies that provide insights into the target segment. However, it is important that the people involved in the implementation of a marketing program for a target segment have a clear understanding about the segment. A deep knowledge about the segment allows conclusions to be drawn with respect to the required marketing program adaptations and potential interaction effects. A company should, therefore, undertake a qualitative analysis of the new target segment, develop a profile of the new target segment, evaluate the ‘segment-program fit’ and identify potential interaction effects with existing target segments.

8.2.2.1 Analyze the new target segment

Understanding the segment is the key success factor to deriving and implementing appropriate marketing initiatives. The people involved with the implementation of the marketing program need to remove subjective and stereotypical preconceptions and get involved with the segment. They need to discover the consumers’ needs, attitudes, requirements, preferences and behaviors. Understanding the segment requires the employees to directly encounter members of the segment. In-depth interviews, focus groups and projective techniques enable employees to gain insights into the segment
that quantitative research methods are not able to reveal. Employees need to understand what motivations and needs of the segment affect its purchase behavior and determine preference structures. Observations and interviews in the consumer’s natural environment allow an employee to discover rich insights for the implementation of the marketing program. Employees should get involved with the segment. Employees can dive into the segment’s world by reading the magazines and watching the TV channels that the segment prefers. They can take part in the segment’s typical leisure activities and get in contact with the segment to empathize with them.

8.2.2.2 Profile the Segment

The findings from the analysis should be objectified and the insights gained should be condensed and reported. The development of a profile of the segment or a typical member of the segment serves as a starting point from which effective marketing activities can be derived. The profile enables employees to visualize a consumer and make inferences that are based on the insights gained instead of subjective preconceptions.

The profile could incorporate the following information about the segment or a typical member of the segment:

- geographic information (location of residence)
- demographic information (age, gender and household size)
- cultural information (cultural background, religion and habits)
- socio-demographic information (education, income and social status)
- psychographic information (general values, lifestyle, activities, interests, opinions and personality)
- behavioral information (usage of products in terms of situation and frequency, shopping behavior and media usage behavior)
- product-specific psychographic information (motives and preferences to buy a certain product or brand in a category and attitudes towards brands and products)
- information about the needs and benefits sought (relevant needs, requirements of a product and benefits sought)

8.2.2.3 Determine the Segment-Program Fit

On the basis of the established profile of the new target segment, the ‘segment-program fit’ should be evaluated. The characteristics of a segment influence its consumption choices and can explain why newly targeted consumers have not purchased an existing offering. Dedicated employees should examine the segment’s
profile and evaluate to what extent an existing marketing program fits with the target segment. The purpose of the evaluation is to identify synergies with existing marketing practices and to identify purchase barriers that need to be overcome. The assessment should reveal which characteristics of the segment impose specific requirements on the marketing program and demand an adaptation of the marketing program. The results of the evaluation should disclose to what extent the specific marketing components fit with the segment and to what extent the specific components may require adaptation. Table 8-1 provides an overview of the questions to be raised and answered during the evaluation of the 'segment-program fit’.

Table 8-1: Questions to be answered during the evaluation of the segment-program fit

<table>
<thead>
<tr>
<th>Component</th>
<th>Questions to be answered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>To what extent does an existing brand fit with the new target segment? To what extent are adaptations necessary?</td>
</tr>
<tr>
<td>Positioning</td>
<td>To what extent does an existing offering provide the benefits that the new target segment seeks? To what extent are adaptations necessary?</td>
</tr>
<tr>
<td>Price</td>
<td>To what extent does an existing offering fall into the price expectancy and acceptance level of the new target segment? To what extent are adaptations necessary?</td>
</tr>
<tr>
<td>Product</td>
<td>To what extent do the functional characteristics, aesthetic characteristics, the packaging and additional services of an existing offering fit with the new target segment? To what extent are adaptations necessary?</td>
</tr>
<tr>
<td>Distribution</td>
<td>To what extent does the vertical and horizontal structure of the existing distribution system fit with the shopping behavior and purchase motives of the new target segment? To what extent are adaptations necessary?</td>
</tr>
<tr>
<td>Communication</td>
<td>To what extent do existing communication channels and media vehicles fit with the media usage of the new target segment? To what extent do the content and creative execution of existing communication practices fit with the new target segment? To what extent are adaptations necessary?</td>
</tr>
</tbody>
</table>

8.2.2.4 Identify Potential Interaction Effects

In the next step, potential interaction effects between the new target segment and existing customers should be identified. Dedicated employees need to evaluate how much the targeting efforts that are directed at the new target segment might affect the attitudes and behaviors of existing customers. In explorative or experimental research settings, employees can assess how existing customers would react to the exposure of hypothetical marketing stimuli and the new target segment acquiring, consuming or using a hypothetical offering. The results of the investigations should reveal whether the existing customers would respond indifferently, positively or negatively to the new
target segment and the marketing activities directed at them. Five potential scenarios exist that the assessment of potential interaction effects can reveal (see Figure 8-4):

Figure 8-4: Spillover effects and consequences

- **Positive attitudinal response, positive behavioral response**: the existing customers show a positive attitudinal and behavioral response towards the targeting efforts. This may result in increased sales of existing products targeted to the existing segment, may evoke cross-selling or can lead to cannibalization effects. While the former two are positive, cannibalization effects can be desirable (positive) or undesirable (negative).

- **Positive attitudinal response, indifferent behavioral response**: the existing customers show a positive attitudinal and an indifferent behavioral response towards the targeting efforts. The existing customers notice the targeting efforts favorably but do not change their purchase behavior.

- **Indifferent attitudinal response, indifferent behavioral response**: the existing customers show an indifferent attitudinal and behavioral response towards the targeting efforts. The existing customers react neither favorably nor unfavorably to the targeting efforts.

- **Negative attitudinal response, indifferent behavioral response**: the existing customers show a negative attitudinal and an indifferent behavioral response towards the targeting efforts. The existing customers do not appreciate the company’s targeting efforts but do not change their purchase behavior.
- **Negative attitudinal response, negative behavioral response:** the existing customers show a negative attitudinal and behavioral response towards the targeting efforts. The existing customers perceive the targeting efforts negatively, develop an unfavorable attitude and terminate their relationship with the company.

In general, a company should promote positive effects and avoid negative effects. When a company wants to promote positive interaction effects, it should ensure that existing customers perceive marketing activities directed at the new segment and associate the adapted offering with an existing offering. Low adaptation intensity of a marketing program generally enforces interaction effects. A company can avoid negative interaction effects when it adapts its marketing program intensely, decouples the offering from existing offerings and uses different communication and distribution channels. *Table 8-2* provides an overview of the questions to be raised and answered during the evaluation of potential interactions effects.

*Table 8-2: Questions to be answered during the evaluation of potential interaction effects*

<table>
<thead>
<tr>
<th>Direction of effects</th>
<th>Questions to be answered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive effects</td>
<td>How can the awareness of the targeting efforts directed at the new target segment be increased among existing customers? How can the association between the targeting efforts directed to the new target segment and the existing efforts be established?</td>
</tr>
<tr>
<td>Negative effects</td>
<td>How can the awareness of the targeting efforts directed at the new target segment be avoided among the existing customers? How can the association between the targeting efforts directed at the new target segment and the existing efforts be decoupled?</td>
</tr>
</tbody>
</table>

8.2.3 **Specifying the Targeting Strategy**

At this point, the implementation team possesses a clear picture of the new target segment. It is able to concretize and specify the specific strategy and purpose of the targeting efforts. It should also be able to define the adaptation pattern of the marketing program. The feasibility of the new segment strategy should be assessed with respect to potential budgetary and organizational constraints.

8.2.3.1 **Specify the Targeting Strategy and Determine the Adaptation Intensity**

The team that is responsible for the implementation should specify the targeting strategy and its purpose. The team should concretize and define the new segment strategy that it intends to follow and the purposes that it pursues with its targeting efforts. It should describe its targeting efforts with respect to the concept of segment
distance between the new and existing target segment and the specificity of the new target segment. The purpose of the targeting efforts may comprise the generation of specific attitudinal and behavioral responses within the new target segment; it may also comprise evoking specific attitudinal and behavioral responses within the existing target segment. The team should orient itself along the identified new segment strategies types: The Differentiator, The Specializer, The Expander, The Invisible, The Communicator and The Extender and choose the appropriate strategy type (see Figure 8-1).

On the basis of the analysis of the ‘segment-program fit’ and potential interaction effects, the core team should determine the adaptation pattern of the marketing program and follow one of the adaptation patterns suggested for the specific strategy types (see Table 8-3).

Table 8-3: Adaptation pattern of the new segment strategies

<table>
<thead>
<tr>
<th>Adaptation Intensity</th>
<th>The Differentiator</th>
<th>The Specializer</th>
<th>The Expander</th>
<th>The Invisible</th>
<th>The Communicator</th>
<th>The Extender</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>Rather High</td>
<td>Rather Low</td>
<td>Rather Low</td>
<td>Rather Low</td>
<td>Rather Low</td>
<td>None to Low</td>
</tr>
<tr>
<td>Positioning</td>
<td>Rather High</td>
<td>Rather High</td>
<td>Moderate</td>
<td>Rather Low</td>
<td>Rather Low</td>
<td>Rather Low</td>
</tr>
<tr>
<td>Price</td>
<td>None to High</td>
<td>Rather High</td>
<td>Rather Low</td>
<td>Rather Low</td>
<td>Rather Low</td>
<td>Rather Low</td>
</tr>
<tr>
<td>Product</td>
<td>Rather High</td>
<td>Rather High</td>
<td>Moderate</td>
<td>Rather Low</td>
<td>Rather Low</td>
<td>Rather Low</td>
</tr>
<tr>
<td>Distribution</td>
<td>None to High</td>
<td>None to High</td>
<td>None to Moderate</td>
<td>Rather High</td>
<td>Rather Low</td>
<td>Rather Low</td>
</tr>
<tr>
<td>Communication</td>
<td>Rather High</td>
<td>Rather High</td>
<td>Rather High</td>
<td>Rather High</td>
<td>Rather High</td>
<td>Rather Low</td>
</tr>
<tr>
<td>Vertical Adaptation Intensity</td>
<td>High</td>
<td>Moderately High</td>
<td>Moderate</td>
<td>Moderately Low</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>
8.2.3.2 Evaluate the Resource Availability

The evaluation of the ‘segment-program fit’ and the potential interaction effects provides a first overview of the necessary marketing program adaptations and the required adaptation intensity. Before any adaptations are implemented, the team that is responsible for the implementation should assess whether the required changes can be implemented with the resources that are available. More specifically, it needs to assess whether the available financial and human resources enable the implementation of the marketing program for the new target segment (see Figure 8-5). Targeting efforts only make sense if the required resources are available. In certain circumstances, heavy investments are required to adapt a component of the marketing program. For instance, the adaptation of a product can require the development of a new supply chain or production line. Sourcing and processing new materials and ingredients may demand investments into new suppliers, knowledge, equipment and logistics. These resources are often simply not available. In the case of resource scarcity, a company should either try to make additional resources available or it should direct its targeting efforts to a segment that can be targeted with a marketing program requiring less intense adaptations. Resource wastage should be avoided. The implementation of the marketing program should not incorporate adaptations that are meaningless and ineffective. Cost-benefit considerations should be undertaken to investigate whether an intense adaptation really outweighs a less intense adaptation.

Figure 8-5: Evaluation of resource necessity and availability
8.2.3.3 Assess Potential Organizational Constraints

Intense marketing program adaptation can also require substantial organizational changes. These changes may involve structural changes, the reallocation of budgets, the redefinition of processes and the reassignment of specific tasks. A company should only implement the targeting efforts if the corporate culture and the company’s organization do not present an insuperable barrier. A company that faces inertia, complexity and politics should rather expand its business to segments that require less intense adaptations. Furthermore, the existing distribution, communication, product development and pricing systems, as well as their related capabilities, have been developed evolutionally and have been configured to existing segment strategies. It might be difficult to adapt the existing distribution system for a new target segment. Implementing a direct distribution channel for a new target segment can lead to conflicts with the intermediaries that serve the existing segment. Additionally, industry and market regulations and norms can force a company to choose very specific product characteristics, pricing levels, distribution channels or communication content, limiting the possibilities of adaptation. Hence, a company should assess upfront whether the required changes can actually be implemented. If organizational constraints are severe, the implementation team should either reconsider the targeting efforts or start early to develop and implement a change management concept.

8.2.4 Implementing the Marketing Program

In the next step, the adapted marketing program should be adapted. This incorporates the adaptation of the marketing program components, the testing of the adapted marketing program, the implementation of organizational changes and the sensitization and training of employees and partners.

8.2.4.1 Adapt the Components of the Marketing Program

The individual components of the marketing program for the new target segment need to be adapted in accordance with the identified adaptation pattern. Appropriate and specific adaptation options for the marketing program components should be determined and implemented. Figure 8-6 presents the adaptation options with varying degrees of adaptation intensity. For a detailed description and realization of adaptation options, refer to Section 4.2.
8.2.4.2 Test the Adapted Marketing Program

The implementation team should test the effectiveness of the adapted marketing program with respect to the requirements of a successful marketing program for a new target segment. More specifically, it should investigate whether the marketing program yields the desired responses and establishes awareness, availability, a perceived advantage and credibility. Concept tests of the brand, the positioning, the price, the product, the distribution and the communication should be executed. The tests can vary from easily implementable in-depth interviews and focus groups over experimental research setting to sales modeling and actual market testing.

8.2.4.3 Implement Organizational Changes

Targeting efforts and the implementation of a marketing program may require organizational changes to which companies need to react flexibly. The supply chain management and the logistics of the new offering may demand amendments that need to be implemented. Production capacities must be set free or created. Changes in the organization of the marketing and sales department are not infrequent. New employees may be hired and employees’ tasks may change or diversify. New business units and teams may be formed. Hence, the implementation team should ensure that the required
organizational changes are implemented. It needs to specify and realize the changes in the organization and its processes.

8.2.4.4 Sensitize and Train Employees and Partners

The implementation of marketing activities and organizational changes should be accompanied by a systematic sensitization and training program for employees and partners. Sensitizing employees is of utmost importance in order to receive commitment and openness from them. The implementation team should not only train employees who will be in direct contact with the new customers, but also inform and sensitize the employees within the whole company to avoid any skepticism, resistance and conflicts. The implementation team should define and categorize the employees into: (1) those that need to be informed about the targeting efforts; (2) those that need to be sensitized and involved with the targeting efforts; and (3) the employees that need to be enabled to contribute to the targeting efforts. On the basis of the training objective, specific training programs should be developed with appropriate training methods (see Figure 8-7).

Figure 8-7: Training objective and corresponding training methods

Employees who simply need to be informed can be notified about the targeting efforts in speeches or information materials, such as the company newsletter and the intranet. The employees that are partially affected by the targeting efforts should be sensitized through webinars or seminars. Finally, the employees who will contribute intensely to the targeting efforts and those who are in direct contact with the new target segment
should be enabled to deal with the target segment. Interactive training methods, such as workshops, role plays and on-the-job training, can foster the skills and behaviors that are required to deal with the new target segment. Similarly, external partners (such as intermediaries) can be informed about the new target segment, sensitized towards the segment or be enabled to deal with the segment.

8.2.5 Controlling the Targeting Efforts

Eventually, the targeting efforts must be controlled. The control of the targeting efforts is twofold. First, the effectiveness and the efficiency of the marketing program should be investigated. Second, the stability and evolution of the segment should be monitored.

8.2.5.1 Control the Effectiveness and Efficiency of the Marketing Program

The implemented marketing program should be constantly monitored and controlled. The controlling measures to be undertaken should consist of measures that relate to the effectiveness and the efficiency of the implemented marketing program.678 Effectiveness measures assess the pattern of the customer basis and should reveal to what extent the marketing initiatives have attracted newly targeted consumers.679 The effectiveness measures should also assess the effects of the marketing program, such as awareness, attitudes and behavioral responses (e.g. purchase frequency and intensity) and the financial outcome.680 The effectiveness measures should assess how far the marketing program has fulfilled the requirements of a successful marketing program, using the categories of awareness, availability, perceived advantage and credibility. Efficiency measures relate to the costs associated with the targeting efforts in relation to their impact.681 Segment profitability analyses should disclose the quality of generated customers in terms of profits generated per marketing dollar invested in the segment, measuring the efficiency of the implemented marketing program.682 Besides the measures that assess the impact of the marketing program within the new target segment, its effects on existing customers should also be investigated. Attitudes towards the brand, as well as purchase behaviors, of existing customers should be

679 Reinecke (2004), pp. 271-272
680 Reinecke (2004), pp. 264-271
681 Reinecke (2004), pp. 272-273
682 Bonoma and Shapiro (1984), pp. 264-267
monitored to detect negative or positive consequences of potential interaction effects.\textsuperscript{683}

8.2.5.2 Monitor the evolution of the target segment

Dedicated employees should investigate the transformation processes within the target segment.\textsuperscript{684} Market segments evolve, develop and transform dynamically. It is, therefore, necessary to constantly monitor how the consumers in general, and the target segment in particular, transform with respect to their characteristics. The following changes in characteristics should be identified:

- changes in the media usage and shopping behaviors of the target segment
- changes in the benefits that the market segment seeks
- changes in the attitude (product-related psychographics) of the market segment towards the offering
- changes in the demographic characteristics of the market segment
- changes in the cultural characteristics of the market segment
- changes in the socio-economic characteristics of the market segment
- changes in the psychographic characteristics of the market segment

Transformation processes may lead to the decline and eventual disappearance of the market segment. The company should, therefore, flexibly react to transformation processes and adapt its marketing practices accordingly. It may also need to redefine its target segment or decide to pursue a new promising target segment.

8.3 Theoretical Contributions

In the previous parts of this final chapter, the results and managerial implications of this research were presented. In this section, the implications and contributions of this work to theory and specific research streams are delineated. More specifically, I (1) discuss the work’s contribution to the closure of the theory-reality gap in market segmentation research and (2) delineate its contribution to the segmentation process step ‘implementation of a segment-specific marketing program’. Further, I (3) present the work’s implications for other segmentation process steps and (4) demonstrate its contribution to marketing strategy and implementation research.

\textsuperscript{683} Koch (2006), p. 198
\textsuperscript{684} Koch (2006), p. 193
Contribution to the closure of the theory-reality gap in market segmentation research: The attention on statistical and technical aspects in market segmentation research has led to a theory-reality gap.  

Födermayr and Diamantopoulos (2008b) conclude that the focus of research on segmentation bases has been at the expense of advances in other segmentation process phases and has subsequently limited the progress of the concept. This research followed the proposition by Wedel and Kamakura (2000) and Palmer and Millier (2004) to address the issues in market segmentation that are relevant for marketing managers, such as the implementation of segment-specific marketing programs. This research contributes to the under-researched area of the implementation of marketing programs in general and for new target segments in particular. It sheds light on how companies actually implement marketing programs for new target segments and, thus, breaks from the prevalent normative research paradigm in market segmentation research. Segmentation research is often based on common sense and anecdotal evidence: it lacks explorative and empirical findings. The findings of this research are based on explorative research and the investigation of the implementation of segment-specific marketing programs in real life contexts.

Contribution to the segmentation process step ‘implementation of a segment-specific marketing program’: It is generally suggested that companies should rigorously direct marketing activities towards the needs and requirements of a targeted market segment. Authors of scientific papers and marketing textbooks advise practitioners to adapt and direct marketing activities towards the requirements of the target segment. However, they do not reveal how companies can actually adapt existing practices for a new target segment. Often, the inherent view prevails that companies can simply develop a new marketing program for a target segment without considering any efficiency aspects, potential synergies with existing marketing practices and the practical realization of a completely new marketing program. Koch (2006) criticizes the view of the totalitarian adaptation of marketing activities that dominates in normative market segmentation theory and assumes that companies often do not adapt each component of the marketing program. This research confirms this assumption and provides meaning to the notion of ‘marketing program adaptation’. Following the idea that companies have certain maneuverability in the adaptation of existing

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685 Young et al. (1978), p. 405
686 Födermayr and Diamantopoulos (2008b), p. 224
689 Koch (2006), p. 44
690 Koch (2006), p. 199
marketing practices, this research provides evidence of the different adaptation options that companies use when they adapt the specific components of a marketing program for a new target segment. The adaptation of the individual components, which I termed horizontal adaptations, may vary from no adaptation of existing practices up to the total adaptation. The configuration of the horizontal adaptations of the marketing program components determines the vertical adaptation intensity of the marketing program. The systematization of the marketing program adaptation into horizontal and vertical adaptation intensities allows the conceptualization and specification of the meaning of ‘marketing program adaptation’.

Some research on the implementation of marketing activities for market segments exists. These contributions have primarily focused on very specific target segments, such as baby boomers, yuppies, post-modernists, women, homosexuals, seniors or ethnic minorities, and have investigated the appropriate implementation of isolated marketing instruments. This present research took a more integrative and holistic perspective. First, I provided a framework that provides guidance for the implementation of a marketing program for any segment. Second, I provided a framework that integrates all relevant marketing instruments.

Implications for other market segmentation activities: The various market segmentation activities are interdependent. For example, Wedel and Kamakura (2000) emphasize that segmentation bases need to be carefully selected in accordance with the segmentation purpose. When a company targets a new market segment, the implementation of the marketing program is pivotal. ‘Actionable’ segmentation bases provide guidance for the implementation of the marketing program. For this reason, I advocate the recommendation by Freter (2008) to employ ‘actionable’ segmentation bases to form market segments. Födermayr and Diamatopoulos (2008b) observe that the profiling of segments has received little attention in market segmentation research. The profiling of a new target segment is important to derive conclusions for the implementation of the marketing program to target the segment. In fact, each of the investigated cases in this work undertook a qualitative analysis to substantiate segmentation findings and gain a deeper understanding of the new target segment. Hence, this research underlines the importance of profiling segments and the extension

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691 Koch (2006), pp. 5-6
693 Freter (2008), p. 190
694 Födermayr and Diamatopoulos (2008b), pp. 254-255
of segmentation studies by additional qualitative analyses, in order to gain substantial and ‘actionable’ insights into the target segment.

The selection of a specific target segment influences how and to what degree a company must adapt a marketing program. Companies should, therefore, acknowledge the ‘need for adaptation’ and the resulting resource intensity as a criterion to evaluate and select target segments. Piercy and Morgan (1993) argue that companies should not only examine marketplace criteria but also take internal organizational criteria into consideration. More specifically, they claim that companies need to evaluate their internal capabilities to serve segments and to investigate whether their structures and processes support the company in serving the segment effectively. I share this view: companies should be aware of the potential barriers that endanger the implementation of a marketing program for a specific market segment. The evaluation and selection of market segments should incorporate the potential internal constraints that impede the implementation of targeting efforts. I also agree with Koch (2006), who underlines the importance of assessing the spillover potential of a new market segment.

Contribution to marketing strategy formation and implementation research: This research has introduced different targeting strategies for new segments. The strategies have been identified through the investigation of realized strategies. The ex-post observation of decision and activity patterns enables the identification of strategies. The exploration of the adaptation patterns and adaptation intensities of the marketing programs revealed a typology of six specific strategies that companies can pursue when they target a new market segment. Typologies enhance the generalizability of findings, describe managerial diversity and provide mechanisms to handle complex information. “… [T]ypologies provide a powerful link between theory and empirical observation.” Although typologies enable a comprehensive but efficient way of studying marketing strategy and its implementation, the development of strategic typologies remains scarce in marketing research. This research revealed a typology of new segment strategies and in this way complements and specifies general targeting strategies.

695 Piercy and Morgan (1993), pp. 131-132
696 Piercy and Morgan (1993), pp. 131-132
697 Kotler (2003), p. 299
698 Mintzberg (1978), p. 935
699 Speed (1993), p. 172
700 Speed (1993), p. 171
701 Sausen (2006), pp. 32-33; Slater and Olson (2001), p. 1057
The identified drivers and barriers that either enforce or impede the implementation of a marketing program for a new target segment correspond with the findings of other works in the area of marketing implementation.\textsuperscript{702} This work confirms the findings in another research setting, specifies the impact of the drivers and barriers in the context of targeting efforts and, therefore, advances the research on marketing implementation. The correspondence of the findings with respect to the drivers and barriers that affect the implementation underlines the necessity for companies to install the suggested measures. In this way, companies not only increase the effectiveness of implementation of the marketing program for a new target segment, but they also enhance the implementation of marketing initiatives in general.

8.4 Limitations and Future Research

In this section, the limitations of this research are identified and possible avenues for future research to verify and extend the findings of this work are presented. The explorative, qualitative research approach enabled me to progress and generate the knowledge regarding the targeting of new market segments and the implementation of a segment-specific marketing program. To provide solutions to the problems that companies face, I recommend that companies choose specific segment strategies and marketing program adaptation patterns and enforce specific internal implementation drivers and avoid certain barriers. These recommendations need to be considered in the light of the methodological constraints that accompany this qualitative research. The findings of this research and the provided recommendations are only generalizable and applicable to a limited degree.

The small number of the investigated cases: The findings of this work are based on expert interviews and case study research. The introduced typology of new segment strategies and their respective implementation approaches is grounded in six company cases, each of which represents a new segment strategy. The existence of the different strategy types and implementation approaches needs to be validated and verified on a larger basis. The investigated cases were subjectively chosen with respect to the success that the targeting efforts generated and the diversity in the implementation of the marketing program for the new target segment. The cases that I chose relate either to the food sector or the banking sector and thus also limit the generalization of the

findings to other industries. An investigation of the typology in a quantitative research setting that covers more diverse industries could validate and specify the findings. Quantitative research could also contribute to the concretization and operationalization of the introduced concepts, such as the framework of adaptation options, horizontal and vertical adaptation intensities, the ‘segment-program fit’, the interaction effects and the typology of new segment strategies.

**Lack of industry specificities:** The framework that presents the various adaptation options of the components of the marketing program is based on the examples that the interviewed experts provided. The experts stem from various B-to-C industries. Although I tried to objectively operationalize the concept of adaptation intensity and the cross-industry analysis allowed analogies to be drawn, specific contingencies and situations within a certain industry cannot be reflected. The provided adaptation framework and the suggested new segment typology need to prove their legitimacy and validation in specific industries. An investigation of the new segment strategies and adaptation options in a specific industry would generate interesting findings, increase comparability and yield industry-specific findings.

**Concentration of the research to Switzerland and Germany:** The research was limited to the countries of Switzerland and Germany. I investigated the targeting efforts that companies have implemented in the Swiss or German markets. Although I do not expect very different findings for companies that implement their targeting efforts in other countries, implementation practices may vary. Hence, future research could investigate the implementation of a marketing program for a new target segment in a different country. This would allow country-specific and cross-country conclusions to be derived.

**Potential existence of interviewer bias:** Although I implemented various measures to avoid interviewer and respondent bias, qualitative research is never free of bias. For instance, I operationalized the concept of horizontal and vertical adaptation intensity and clearly described which adaptations a company must undertake to qualify for a certain horizontal adaptation option or vertical adaptation pattern. However, the categorization of company examples and cases into specific adaptation options and patterns was based on my personal perception and is therefore subjectively influenced. An advanced operationalization of the introduced concepts and their application in another research setting could verify and specify the findings of this work.

Except for the proposed research directions that result from the limitations of this work, the findings and implications of this dissertation provide several avenues for
future research projects. In particular, the introduced framework of adaptation options and the typology of new segment strategies incorporate further possibilities for future research.

**Focus on a specific industry or a specific target segment:** As previously stated, the typology and the framework of adaptation options could be researched in an industry-specific context. This would allow industry-specific conclusions and recommendations to be derived. The typology and framework could also be investigated in the context of a specific target segment across industries. For instance, the implementation of a segment-specific marketing program for a socio-demographic segment, such as the elderly or gay consumers, could be investigated. It would be interesting to find out how companies vary in their approaches to target a specific segment.

**Focus on internal contingencies:** The starting point of this research was to explore and identify how companies adapt the components of a marketing program. I used external contingencies (i.e. the characteristics of the new target segment and the attitudes and behaviors of existing customers) and existing marketing practices to describe the different conditions that companies face when they target a new market segment. I emphasized that strategies with a high adaptation intensity of the marketing program require more resources and organizational changes, and I concluded that companies with limited resources and high organizational constraints should rather opt for a strategy that requires less adaptation intensity. Future research could focus more intensely on the internal contingencies, such as the company’s size, its organizational structure, degree of centralization, etc., and examine whether and how companies that face specific internal contingencies can implement the introduced new segment strategies.

**Focus on specific competencies:** I have noted that companies can follow different strategies with different target segments at the same time (see Section 6.3.2). They can be *The Differentiator* when they target one segment and they can be *The Extender* when they target another. It would be interesting to research whether companies actually make use of different strategies or whether they stick to a specific one. In this context, future research could also detect whether companies need to possess very specific competencies for the implementation of the strategies and whether specific strategies require very specific competencies.

**Focus on the revolutionary vs. evolutionary implementation:** Companies can either revolutionarily or evolutionarily target a new market segment. While revolutionary targeting efforts are implemented very fast, evolutionary targeting efforts emerge over
time and adaptations are implemented iteratively. A further research direction could incorporate the revolutionary and evolutionary targeting efforts and investigate the situations and contingencies in which one approach is favorable over the other.

**Focus on the role of the segment over time:** Almost all the experts interviewed evaluated the role of the new target segment within the segment portfolio as a subordinated target segment that diversifies the portfolio and provides additional revenue streams. An interesting avenue for future research could be to investigate a target segment’s role and relevance within a company’s portfolio over time. A question to be posed may be: how can the role and relevance of a target segment within a segment portfolio change with time?
References


## Appendices

### Appendix A: List of Expert Interviews

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<td>48</td>
<td>II,III</td>
<td>Andreas Fellenz</td>
<td>Lorenz Bahlsen Snack-World GmbH &amp; Co KG, Snack Manufacturer</td>
<td>02.02.2011, 15.04.2011</td>
</tr>
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<td>49</td>
<td>II</td>
<td>Hinnerk Ehlers</td>
<td>FRoSTA AG, Frozen Food</td>
<td>04.02.2011</td>
</tr>
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<td>51</td>
<td>II</td>
<td>Martin Baumann</td>
<td>Generali Versicherung AG, Insurance</td>
<td>18.02.2011</td>
</tr>
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</table>
Appendix B: Project Description – Research Phase I

Forschungs- und Dissertationsprojekt
Institut für Marketing, Universität St. Gallen

Thema: Praxisrelevante Lösungsansätze zu Problemen in der Markt- und Kundensegmentierung

Doktorand: Philip Schnaith
Referent: Prof. Dr. Marcus Schögel


Die Probleme, die Unternehmen im Marktsegmentierungsprozess erfahren, werden von der Wissenschaft weitestgehend ignoriert. Daher nimmt dieses Forschungs- und Dissertationsprojekt bewusst Probleme, Erfahrungen und Praktiken der Segmentierung in Unternehmen als Ausgangspunkt, um praxisrelevante Lösungsansätze für das Konzept der Markt- und Kundensegmentierung zu entwickeln.

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Appendix C: Interview Guideline – Research Phase I

Themenblock I: Relevanz des Themas
- Inwiefern spielt Marktsegmentierung eine Rolle in Ihrem Unternehmen? Segmentieren Sie Ihre Märkte?
- Wie segmentieren Sie Ihre Märkte? Wie würden Sie Marktsegmentierung definieren?
- Warum segmentieren Sie? Welchen Nutzen erhoffen Sie sich von der Segmentierung? Welche konkreten Ziele verfolgen Sie mit Ihrer Segmentierung?

Themenblock II: Generelle Probleme & Herausforderungen
- Welchen Herausforderungen und Problemen stehen Sie bei der Erstellung der Segmentierung gegenüber? Wie gehen Sie mit diesen Herausforderungen um?
- Welchen Herausforderungen und Problemen stehen Sie bei der Umsetzung der Segmentierung in konkrete Marketingaktivitäten gegenüber? Wie gehen Sie mit diesen Herausforderungen um?

Themenblock III: Marktsegmentierung und neue Zielgruppen
- Nutzen Sie die Marktsegmentierung um neue Zielgruppenpotenziale zu entdecken?
- Wann haben sie zuletzt eine neue Zielgruppe definiert bzw. sind Sie aktiv angegangen?
- Wie sind Sie zu den gewählten Zielgruppen gekommen und warum haben Sie sich für die gewählte Zielgruppe entschieden?
- Welche Probleme und Herausforderungen sind bei der Erschliessung der Zielgruppe aufgetreten? Was waren Ihrer Meinung nach Herausforderungen bzw. Handlungsfelder, die bei der Erschliessung der Zielgruppe besonders beachtet werden mussten?
- Was sind Ihrer Meinung nach generell die Erfolgsfaktoren bei der Erschliessung von einer neuen Zielgruppe?
Appendix D: Project Description – Research Phase II


Vor dem Hintergrund des wachsenden Konkurrenzdruks, gesellschaftlicher Transformationsprozesse sowie einer steigenden Bedürfnisesskalierung sind Unternehmen gezwungen, alte Zielgruppenmuster zu überdenken und neue, entstehende Zielgruppenpotentiale zu nutzen.

So leicht die Entscheidung für die Erschließung einer neuen Zielgruppe ist, so schwer ist auch ihre Realisierung. Mehr als 70% der unternommenen Anstrengungen von Unternehmen, neue Zielgruppen zu erschließen, scheitern. In ersten Untersuchungen hat sich die Umsetzung der Zielgruppenstrategie, d.h. die Entwicklung und Ausgestaltung von zielgruppenspezifischen Marketingaktivitäten, als Hauptgrund für diese hohe Fehlerrate herausgestellt. Die Umsetzungsproblematik bei der Erschließung von neuen Zielgruppen möchten wir tiefer betrachten und untersuchen, wie Unternehmen die Umsetzung erfolgreich gestalten können.

Was genau sind die konkreten Probleme und Herausforderungen, denen sich Unternehmen in der Umsetzungsphase stellen müssen? Wie können diese Herausforderungen gemeistert werden und was sind Stellhebel für eine erfolgreiche Umsetzung? Durch die Beantwortung dieser Fragen im Rahmen einer Best-Practice-Studie sollen in Kooperation mit der Praxis, Lösungen entwickelt und Empfehlungen abgeleitet werden, die es Unternehmen erlauben, die Erschließung von neuen Zielgruppen erfolgreich zu gestalten.

Doktorand: Philip Schnaith
Thema: Erfolgreiche Erschließung Neuer Zielgruppen
Referenten: Prof Dr. Marcus Schögel & Prof. Dr. Christian Belz
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# Appendix E: Interview Guideline – Research Phase II

## Themenblock I: Relevanz des Themas
- Inwiefern ist die Erschliessung neuer Zielgruppen ein relevantes Thema für Sie?
- Wann haben Sie zuletzt eine neue Zielgruppe definiert bzw. sind Sie aktiv angegangen? War dies ein Erfolg?
- Was waren die Beweggründe für die Erschliessung dieser Zielgruppe?

## Themenblock II: Generelle Probleme
- Was sind Ihrer Meinung nach die Gründe, warum viele Unternehmen bei der Erschliessung von neuen Zielgruppen scheitern?
- Was sind typische Probleme, die Sie bei der Erschliessung der neuen Zielgruppen meistern mussten?
- Was sind Ihrer Meinung nach die Erfolgsfaktoren bei der Erschliessung von neuen Zielgruppen?

## Themenblock III: Herausforderungen/Erfolgsfaktoren in der Umsetzungsphase
- Was waren typische Herausforderungen und Erfolgsfaktoren bei der Markierung und Positionierung des Angebots für die neue Zielgruppe?
- Was waren typische Herausforderungen und Erfolgsfaktoren bei der Leistungsentwicklung (Produkt) für die neue Zielgruppe? Inwiefern wurde das Produkt zielgruppenspezifisch angepasst?
- Was waren Herausforderungen und Erfolgsfaktoren bei der Marktbearbeitung (Kommunikation) für die neue Zielgruppe? Inwiefern wurde die Kommunikation zielgruppenspezifisch angepasst?
- Was waren Herausforderungen und Erfolgsfaktoren beim Zugang (Kanäle) zu der neuen Zielgruppe? Welche Kanäle haben Sie gewählt? Inwiefern wurde der Vertrieb zielgruppenspezifisch angepasst?
Appendix F: Interview Guideline – Research Phase III

Institut für Marketing
Universität St. Gallen

Forschungs- und Dissertationsprojekt: Fragenkatalog

Erfolgreiche Erschliessung Neuer Zielgruppen

Bitte beantworten Sie folgende Fragen bzw. Aussagen anhand der vorab definierten, neu erschlossenen Zielgruppe bzw. des neu erschlossenen Marktsegments.

**Themenblock I: Art der neu erschlossenen Zielgruppe**

1. Bei der von uns erschlossenen Zielgruppe, handelt es sich um…
   a. eine im Markt neue geschaffene Zielgruppe. „Für die Zielgruppe wurde ein Bedürfnis geschaffen, von dem sie gar nicht bewußt war.“
   b. eine im Markt nicht bediente Zielgruppe. „Die Zielgruppe war sich Ihrem Bedürfnis mehr oder weniger bewußt, wurde aber bisher von keinem Unternehmen speziell bedient.“
   c. eine im Markt bediente Zielgruppe. „Die Zielgruppe wurde schon von Konkurrenten bedient, wir versuchen jedoch diese Zielgruppe anders oder besser zu bedienen.“

2. Bei der von uns erschlossenen Zielgruppe, handelt es sich um…
   a. eine Zielgruppe, die wir aus einer grösseren Zielgruppe konkretisiert haben. „Wir sind die Zielgruppe vorher zwar nicht speziell angegangen, haben sie aber peripher im Rahmen von grösser definierten Zielgruppen schon teilweise bedient. Konsumenten der Zielgruppe haben teilweise unser Produkt schon gekauft.“
   b. eine Zielgruppe, die wir vorher nicht bedient haben. „Bei der Zielgruppe handelt es sich um Konsumenten, die wir vorher nicht wirklich bedient haben. Konsumenten der Zielgruppe haben unser Produkt vorher nicht gekauft.“

3. Wie weit ist die neu erschlossene Zielgruppe von der Kernzielgruppe bzw. anderen Zielgruppen entfernt? In Bezug auf:
   a. Einstellung zum Unternehmen bzw. Marke
   b. Konsum- und Einkaufsverhalten
   c. Sozio-demographische Faktoren (z.B. Geschlecht, Alter, Einkommen)
   d. Lebensstil
   e. Bedürfnisstruktur und Nutzenvorstellung

4. Die neu erschlossene Zielgruppe ist im Vergleich zu der Kernzielgruppe bzw. anderen Zielgruppen…
   a. kleiner
   b. gleich gross
   c. grösser
Themenblock II: Ziele der Erschliessung

5. Mit der Erschließung der Zielgruppe wollten wir hauptsächlich das Image unserer Marke und Angebote…
   a. in der neu erschlossenen Zielgruppe verbessern. Die Zielgruppe an unsere Marke heranführen.
   b. allgemein (also auch bei anderen Zielgruppen) verbessern.

6. Wir wollten Wachstum und neue Erträge generieren. Im Vergleich zu unserer Kernzielgruppe bzw. anderen Zielgruppen, sind das erhoffte Potential der neuen Zielgruppe und die Ertragsziele…
   a. eher geringer
   b. vergleichbar
   c. höher

7. Ziel der Erschließung war es, Wachstum…
   a. relativ schnell zu generieren
   b. langfristig zu generieren

Themenblock III: Vorgehen

8. Bei der Erschließung der Zielgruppe sind wir folgendermaßen vorgegangen…
   a. Wir haben den Markt systematisch analysiert, verschiedene Zielgruppen identifiziert, eine attraktive Zielgruppe ausgewählt und dann die Marketingaktivitäten daraus ausgerichtet.
   b. Wir haben einen Trend bei Konsumenten/im Markt festgestellt, daraufhin eine Zielgruppe definiert und die Marketingaktivitäten gemäß der Zielgruppe ausgerichtet.
   c. Wir hatten ein gutes Produkt bzw. ein vielversprechendes Produktkonzept und haben dann eine passende Zielgruppe gesucht.
   d. Man kann das gar nicht genau sagen was zu erst da war – Zielgruppe oder Produkt. Das lief irgendwie parallel.

Themenblock IV: Interaktions- und Transfereffekte zwischen Zielgruppen

9. Bei der Erschließung der neuen Zielgruppe gab es positive oder negative Interaktionseffekte, denn…
   a. die Kernzielgruppe hat positive oder negative Effekte (Image) auf die neue Zielgruppe.
   b. die neu erschlossene Zielgruppe hat positive oder negative Effekte (Image) auf die bestehende(n) Zielgruppe(n) oder auf die Marke im Allgemeinen.

10. Haben Sie aktiv versucht Interaktions- und Transfereffekte zu forcieren oder zu vermeiden?
Themenblock V: Anpassung und Ausrichtung der Marketinginstrumente

11. Mit welcher Marke wurde die Zielgruppe erschlossen? Inwieweit unterscheidet sich die Markierung des Angebots für die neue Zielgruppe von der Kernzielgruppe?
   ➔ eigenständige Marke, Sub-Marke, gleiche Marke (Dachmarke)

12. Mit welcher Positionierung wurde die Zielgruppe erschlossen? Inwieweit unterscheidet sich Positionierung des Angebots für die neue Zielgruppe von der Kernzielgruppe?
   ➔ Nutzen (USP), Preispositionierung

13. Mit welchem Produkt wurde die neue Zielgruppe erschlossen? Inwieweit unterscheidet das Produkt für die neue Zielgruppe von der Kernzielgruppe?
   ➔ Funktionale Produktfeatures, Ästhetische Produktfeatures, Verpackung, Zusatzservices

14. Mit welchen Kommunikationsmassnahmen wurde die Zielgruppe erschlossen? Inwieweit unterscheidet die Kommunikation/Werbung für die neue Zielgruppe von der Kernzielgruppe?
   ➔ Kommunikationskanäle, Kommunikationsinhalt, Kreative Ausführung

15. Mit welcher Preisstrategie wurde die neue Zielgruppe erschlossen? Inwieweit unterscheidet die Preisfestlegung für die neue Zielgruppe von der Kernzielgruppe?
   ➔ Preisdifferenzierung, Pricing-Strategie

16. Mit welchen Vertriebskanälen wurde die neue Zielgruppe erschlossen. Inwieweit unterscheidet der Vertrieb für die neue Zielgruppe von der Kernzielgruppe?
   ➔ Vertriebskanäle, Vertriebsstrategie

Themenblock VI: Ressourcen (Finanziell und Personell)

17. Im Vergleich zu der Ressourcenaufwendung der Kernzielgruppe bzw. anderen Zielgruppen, war die diese…
   a. geringer.
   b. gleich hoch.
   c. höher.

Themenblock VII: Risiko

18. Das Risiko, behaftet mit der Erschließung der neuen Zielgruppe, war für das Unternehmen…
   a. vergleichsweise gering.
   b. auf einem vergleichsweise mittlerem Niveau.
   c. sehr hoch und existentiell.
Themenblock VIII: Externe/Interne Erfolgsfaktoren

19. Bitte bewerten Sie auf einer Skala von 1-10 (1=sehr niedrig, 10= sehr hoch), den Schwierigkeitsgrad und die Wichtigkeit folgender Herausforderungen/Erfolgsfaktoren bei der Erschließung der neuen Zielgruppe:
   a. Die erforderliche Bekanntheit der Marke und des Angebots zu erreichen.
   b. Einen Mehrwert (besseren und einzigartigen Nutzen) für die Zielgruppe zu stiften.
   c. Die erforderliche Glaubwürdigkeit für die Marke und das Angebot in der Zielgruppe zu erreichen.

20. Bitte bewerten Sie auf einer Skala von 1-10 (1=sehr niedrig, 10= sehr hoch), den Schwierigkeitsgrad und die Wichtigkeit folgender Herausforderungen/Erfolgsfaktoren bei der Erschließung der neuen Zielgruppe:
   a. Fähigkeiten der Mitarbeiter für die Erschließung der Zielgruppe sicherzustellen bzw. weiterzuentwickeln.
   b. Notwendige qualitative Customer Insights zu generieren.
   c. Notwendige quantitative Customer Insights zu generieren.
   d. Kunden und Zielgruppen-orientierte Kultur sicherzustellen bzw. zu entwickeln.
   e. Innovative und kreative Kultur sicherzustellen bzw. zu entwickeln.
   f. Offene Kommunikation zwischen Beteiligten und Funktionen sicherzustellen bzw. zu entwickeln.
   g. Formelle und strukturelle Verankerung der Zielgruppenerschließung sicherzustellen bzw. zu erreichen.
   h. Adäquate Teamzusammenstellung und Koordination sicherzustellen bzw. zu erreichen.
   i. Einbindung und Commitment des Top Managements sicherzustellen bzw. zu erreichen.
   j. Etablierung eines internen Sponsors für das Projekt sicherzustellen bzw. zu erreichen.
   k. Notwendige (finanzielle & personelle) Ressourcen sicherzustellen bzw. zu erhalten.
Curriculum Vitae

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